

Party Rebel Leads Race To Succeed Miyazawa

Japan's Opposition Politicians Vow To Assure Stability During Reform

Compiled by Our Staff From Dispatches TOKYO — With the Liberal Democratic Party expected to lose its majority in elections next month, opposition leaders promised flexibility on Sunday if they win the right to put together a coalition government.



SOMALI BREAD LINE — UN troops trying to control a crowd of Somalis waiting for food Sunday in Mogadishu. Plans to distribute the food were delayed as the search for a fugitive warlord continued and 4,200 U.S. Marines arrived off the coast. Page 5.

Croatia Serbs Lose Support Of Belgrade For Secession

As Voting Ends, Ethnic Brothers Give a Cold Shoulder to Unity Now

By David B. Ottaway Washington Post Service KNIN, Croatia — The Serbian minority in Croatia completed voting Sunday on whether to secede and become part of a "Greater Serbia," only to discover that fellow Serbs in Bosnia and Serbia did not welcome their company at this time, and also that the world was ignoring their referendum.

Bosnia Must Remain As One State, EC Says

COPENHAGEN — European Community foreign ministers said Sunday that Bosnia had to remain as an independent, sovereign state despite proposals to create three mini-states along ethnic lines within its borders.

A Host of Problems Awaits EC Summit

PARIS — After a year in which little has gone right for them, European Community leaders gather Monday for a summit meeting intended to convince skeptical Europeans that plans for greater regional unity have not been buried by the severe economic recession and the war in Bosnia-Herzegovina.

End of an Era in Tokyo: Complications for the U.S.

By David E. Sanger New York Times Service TOKYO — For the better part of four decades, America has held tight to the view that the unshakable dominance of a single, conservative party in Japan was essential to Washington's most critical alliance in the Pacific, first as a bulwark against communism and second as a platform for one of the world's most remarkable economic success stories.

Bad Gets Worse in Albania

By Henry Kamm New York Times Service NOI, Albania — Tushe Xaka has lived all her 30 years in this village of 700 people, on a frighteningly winding, narrow dirt road along a deep gorge in the mountains, 30 miles north of Tirana, the capital.

Kiosk Nigeria Fears Civil Unrest While Awaiting Vote Results LAGOS (AFP) — Fears of civil unrest mounted Sunday as the deadline for publication of Nigeria's presidential election results approached.

Portrait of Sir William Golding with text: Sir William Golding, author of 'Lord of the Flies,' is dead at 81. Page 3.

Aspin's Style In Pentagon Angers Chiefs By Barton Gellman Washington Post Service WASHINGTON — General Colin L. Powell began the hastily called meeting with a curse of exasperation. Then came this: "Guys, he didn't tell me either!"



BACK IN BUSINESS — A tourist trying to get a closer look at two portraits by Piero della Francesca at the Uffizi Gallery in Florence. Part of the Renaissance art museum, which was badly damaged in a car bombing on May 27, reopened on Sunday. Page 2.

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# Q & A: Roots of the Violence That Has Shaken Germany

Elisabeth Noelle-Neumann, 76, founder and director of the Allensbach Institute for public-opinion research, has been an adviser to German governments for more than 40 years. She also teaches communications theory at the University of Mainz near Frankfurt. She discussed Germans' attitudes toward foreigners and the current political climate with Brandon Mitcheiner of the International Herald Tribune.

**Q.** What is the root of the violence that has rekindled many foreigners' fears of resurgent German xenophobia?

**A.** The problem has been the extremely sharp rise in the number of people claiming political asylum here over the last few years. Since the fall of 1991, we've tried to get the attention and interest of political leaders because this steady stream of refugees has fueled Germans' sensation of being threatened, of not being at home anymore, and of confronting people whose behavior and values are very different from their own.

**Q.** But much of the worst violence directed at foreigners in Germany of late has been directed at long-term Turkish residents, not refugees.

**A.** For Americans it's difficult to imagine a situation in which, for example, 1.5 million Turks are living here but don't want to integrate. Americans also would not want to live surrounded by immigrants who didn't want to become Americans.

**Q.** Do you think dual citizenship for Turks and other long-term foreign residents would alleviate the problem?

**A.** It sounds nice, but a dual citizenship means becoming a German citizen without having to adjust to German values, German behavior, the German language.

The debate ignores the established teachings of social science. Political leaders who think we can educate people to become something they don't want to become are arrogant. They underestimate the danger. I'm not saying societies and individuals can't improve, but as a social scientist, I feel you have to accept certain principles that are a deep part of human nature. You can't just change them with good will.

**Q.** Do you think the change in the asylum law will resolve the problem?

**A.** It's too early to say. I don't think the problem will entirely recede, not because it's a bad law, but because the flow will continue by other means.

**Q.** Besides the refugee problem, what are the other things that most worry Germans today?

**A.** For a long time, the biggest problem has been the tide of refugees. The second preoccupation is

unemployment, and the third is an increase in crime. All of these problems preoccupy between 40 and 50 percent of the population.

**Q.** Are economic worries growing as the country slips further into recession?

**A.** The media often make it look as if the German economy were the biggest problem we have, but if that were the case there wouldn't be such a profound peace between West and East Germany, where we are transferring 180 billion Deutsche marks (\$113 billion) a year.

**Q.** Much has been made of a growing East-West divide. Do you think the cost and stress of unification is making Germans grow apart?

**A.** Der Spiegel reported that a new wall is going up, in peoples' heads. When we ask in our interviews whether people think this is true, 60 percent agree it is. But in another interview, when we ask only people who have recently talked with someone from the other half of the country, 70 percent say it is untrue.

**Q.** What unites West and East Germans?

**A.** The West and East Germans resemble each other to an absurd degree. They share traditions that go back a thousand years.

**Q.** Did those traditions survive the 40 years of separation?

**A.** Without question, but with one clarification. You have to differentiate between aspects of culture that you are born with and those that you acquire through socialization, through education.

East Germans, for example, up to the highest levels, were raised to expect their government to take care of them. Today they still wait hopefully for the government to come through.

**Q.** Recent polls have shown trust in public figures slumping. If not the traditional leaders, whom do Germans trust?

**A.** Konrad Adenauer did not win recognition until he was gone. The same will be true for Helmut Kohl.

I've known him since 1964, and I've never experienced that he wanted anything for himself other than power, which is the means to achieving political goals. It's clear to me that he loves Germany much more than he loves himself, which makes him a patriot.

If you ask me what his weakness are, I don't have any trouble coming up with a list. For example, he has had a tendency to misjudge peoples' characters.

But as with everyone, you have to ask how much weight you give to his weaknesses and how much to his strengths, and Helmut Kohl has an extraordinary political sensibility. For a politician, I think that's more important than a deep appreciation for human nature.

## Germans Hold 18 at Neo-Nazi Rally

**BERLIN** — Policemen detained 18 neo-Nazi suspects and broke up a lakeside rally by a banned far-right organization north of Berlin, officials said on Sunday.

About 200 people turned out for the gathering on Saturday night.

Oranienburg district policemen said they seized a gas pistol, six knives, two baseball bats and a flag with the symbol of the Organization to Promote Central German Youth, a group banned for its far-right nationalist views.

The police also found placards with slogans against foreigners, who have been the targets of a two-year wave of firebombings and assaults by neo-Nazis and rightists.

In Berlin, the police declined to comment on whether arson had caused a weekend fire that killed a German woman and her two-year-old son in the Kreuzberg district, heavily populated by immigrants.

The newspaper Berliner Morgenpost quoted neighbors as saying the fire was set by an unidentified arsonist in the cellar below a Kurdish restaurant.

Racist firebombings killed five Turkish women and children in the western town of Solingen last month and three Turks in Möln last November.

Premier Edmund Stoiber of Bavaria said he would ask his counterparts from Germany's 16 federal states to seek a ban on two of the biggest parties of far-right radicals.

Mr. Stoiber said the states should ask Bonn and the country's supreme court to ban the German Peoples' Union and the National Democratic Party as undemocratic.

Mr. Stoiber said the states should also adopt a common strategy against the Republicans, another far-right party that is under surveillance in some states by anti-extremist authorities.

The People's Union and the Republicans between them have seats in three state parliaments. The National Democratic Party also briefly entered some state legislatures in the late 1960s but has failed since then to rise above the local level.



Sarajevo residents lining up on Sunday at a public well on a street known as "sniper's alley." The street earned its name because it provides little cover, making it easy for snipers to find targets.

## Behind U.S. Shift on Bosnia

### As All Else Fails, Clinton Decides Simply to Wait It Out

By Elaine Sciolino  
New York Times Service

**WASHINGTON** — President Bill Clinton's decision to accept the possibility of the ethnic partition of Bosnia reflects a consensus among his senior advisers that the United States is incapable of mediating the 14-month-long war and unwilling to take military action to stop it.

Mr. Clinton's comments during a news conference last week reflect the latest — and most dramatic — shift in his thinking on Bosnia and raise doubts about his administration's commitments to recognized territorial borders.

Senior administration officials insist that Mr. Clinton has no intention of trying to persuade Bosnia's Muslim-dominated government to accept the new plan, proposed by the presidents of Serbia and Croatia, that would technically preserve Bosnia-Herzegovina's international borders even as the country is sliced into separate areas for Serbs, Bosnians and Muslims.

"The implication is that anything goes," said Morton I. Abramowitz, president of the Carnegie Endowment for International Peace and a former U.S. ambassador to Turkey. "The Muslim side — the weakest side — has a Hobson's choice — either to accept division or to be ground down because the West is unwilling to help except through cheap rhetoric."

The consensus within the administration is that the carving up of Bosnia into separate areas for

hands-off approach to the current negotiations that Mr. Christopher has not called Lord Owen for an explanation of his unexpected suggestion that the Muslims should consider the latest partition plan.

Reginald Bartholomew, the special U.S. envoy to the talks, is in Washington, not in Geneva, and he will not travel there this week when the next round of negotiations begins. The American side is being represented by Victor Jackovich, the new American ambassador to Bosnia.

### NEWS ANALYSIS

The United States has in effect abandoned its own plan to help the Bosnian government by excluding it from the UN arms embargo that now applies to all sides in the conflict. Despite the partition initiative, the United States has no plans to begin new consultations with its allies or to introduce a resolution in the Security Council to push the American plan, a State Department spokesman, Michael McCurry, said Friday.

"The purpose of that preferred option ultimately was to achieve an agreement that would be reached by the three parties: a viable agreement negotiated by them in good faith, which could be implemented," Mr. McCurry said. "And if there is now a conversation under way that achieves that result, then we have to see how that conversation develops."

Asked whether the United States had abandoned its commitment to the survival of the Bosnian state, Mr. McCurry said: "There is now a discussion under way in Geneva that may produce something else. What it might produce, we don't know."

## SERBS: Minority in Croatia Loses Secession Support

Continued from Page 1  
to end up with only about 10 percent of the republic.

Serbs have already seized control of 70 percent of the territory and Croats hold about 20 percent.

Neither Mr. Milosevic nor Mr. Tudjman seems interested in being sidetracked into a confrontation over a Serbian minority regarded as troublemakers even by their allies.

The Serbian-held lands in Croatia are divided into three parts — eastern Slavonia adjacent to Serbia, a portion in central Croatia known as western Slavonia, and Krajina, a slice of territory in the southwest wedged between Bosnia and Croatia's coastal area of Dalmatia.

Sarajevo airport to aid flights after a six-day shutdown.

But in a setback for the relief effort, Bosnian Serbs at the border with Serbia proper halted the first UN aid convoy in a month trying to take supplies to the besieged Muslim enclave of Gorazde.

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## WORLD BRIEFS

### Northern League Candidate Is Projected Winner in Milan

**ROME (AP)** — The candidate of the Northern League was the projected winner on Sunday of the Milan mayoralty, a resounding confirmation of the party's growing prominence on the national scene.

The expected victory of Marco Formentini in the country's financial capital was a major step forward for the League. But now its claim as the only clean, efficient political force will be put to the test.

Mr. Formentini defeated Nando Dalla Chiesa of the tiny Network reformist party by 55.7 percent to 43.3 percent, according to exit polls by the Doxa polling service.

"The game is over," said Umberto Bossi, the League leader. "What happened today is a strong signal that the country wants change." The race was one of 145 mayoral runoff on Sunday. Runoffs also were held for the governorships of six provinces.

### Irish Leader Defiant on Ulster Visit

**BELFAST (Reuters)** — President Mary Robinson of Ireland says she has no regrets about a highly symbolic visit to Northern Ireland during which she angered the British by shaking hands with the IRA guerrillas' leading political ally.

After visiting the Republican heartland in Belfast, Mrs. Robinson said she would now like to go to districts of the Northern Ireland capital inhabited by Protestants who want the province to remain British. The Irish Republic's Constitution lays claim to the whole territory of Ireland.

Mrs. Robinson, a constitutional figurehead with no political role in the Irish Republic, enraged the British when she brushed off their diplomatic and security concerns and met with the Sinn Fein president, Gerry Adams, leader of the political wing of the Irish Republican Army whose guerrillas are fighting to expel Britain from Northern Ireland.

### A Power-Sharing Plan for Cambodia

**PHNOM PENH (Reuters)** — Cambodia's former battlefield rivals will jointly control the powerful army and police force under a power-sharing deal agreed last Friday, a senior government official said Sunday.

The official said the former Communist government party and the royalist opposition, which won last month's UN-organized election, would share the key defense and interior ministries. The ruling party would surrender control of foreign affairs and finance to the royalists, the official told Reuters.

The incumbent prime minister, Hun Sen, and the royalist party leader, Prince Norodom Ranariddh, who were enemies through 13 years of civil war, have agreed to serve as co-chairmen of an interim government that will rule for up to three months while the newly elected National Assembly writes a constitution.

### Rx for Heart: 5 Instant Coffees a Day?

**LONDON (Reuters)** — Instant coffee could protect against heart disease, with people drinking more than five cups a day experiencing the lowest rate, a Scottish study indicates.

The study of 10,000 men and women found that those who drank fewer than five cups of coffee a day suffered more heart disease while those who drank no coffee at all had the most. The findings, by doctors from Ninewells Hospital in Dundee, Scotland, were published Monday in the Journal of Epidemiology. They contradict foreign studies that have reported a link between heart disease and coffee consumption.

"In this country we drink mainly instant coffee," said Dr. Colin Brown, one of the authors of the report. "Eighty to ninety percent of the coffee drunk in our study was instant. Instant coffee is weaker, with less caffeine and other flavor constituents." He said other studies linking heart disease and coffee consumption mainly had involved people drinking filtered or boiled coffee. Consumption of boiled coffee has been associated with raised cholesterol.

### Battle at Town Kills 215, Angola Says

**LUANDA, Angola (AP)** — The death toll rose to 215 as fighting between government troops and rebels continued on Sunday for control of the central town of Kuito, official Angolan radio reported.

The radio said the toll was only for those killed in the center of the town, which has been besieged since January by guerrillas of the National Union for the Total Independence of Angola.

It was impossible to determine casualties elsewhere around the town, according to the report. The 215 were killed from Thursday to Sunday in battles touched off by guerrilla shelling, the radio said.

## Uffizi Reopens Doors Amid Damage Signs

By Alan Cowell  
New York Times Service

**FLORENCE** — Alberto Ronchey, Italy's minister of cultural affairs, said it reminded him a little of Winston Churchill: never, he half-quoted, had so few done so much for so many as the staff of the Uffizi Gallery had done to get the place ready to reopen.

Thus, only 24 days after the bomb explosion wrought havoc along its western wing, did the Uffizi — Italy's greatest repository of Renaissance art — partly reopen on Sunday. The speed of its revival was hailed by some as a miracle of the Florentine spirit, such as the city showed after the great flood of 1966.

The car bomb that damaged the 16th-century Uffizi exploded just after 1 A.M. on May 17, killing five people and shattering roof-tiles and windows along the western wing of the gallery. No one took responsibility for the bombing, and the government's assertion that the Mafia was behind it has met with skepticism.

Three paintings were damaged beyond repair. Scores more were nicked or torn by flying shards of glass. Around 250 more were removed for safekeeping after the skylights blew out, exposing them to the summer's humid heat and possible rain damage.

So, what visitors saw on Sunday was limited to the gallery's first 24 rooms, including the Botticellis that draw so many visitors and the Leonardos and the Giotto that seemed equally awe-inspiring.

Three works from among those removed from the damaged west wing went on display near the entrance — Michelangelo's "Tondo Doni," Caravaggio's "Bacchus" and Titian's "Flora." The gallery's full collection of work by those artists and others, including Rubens and Rembrandt, remained in indefinite storage.

To show people the kind of thing that had happened, however, restorers displayed all they had been able to repair of a still life by Bartolomeo Bimbi. After the explosion, the entire pigment had simply been shaken off the canvas, and its restoration left gaping holes where the pigment had utterly disintegrated.

## TRAVEL UPDATE

### First Train Crosses Channel Tunnel

**LONDON (AFP)** — The first high-speed train crossed from France to Britain via the Channel Tunnel on Sunday in a test run. The British Eurostar, with a narrower gauge than French trains, made a slow crossing pulled by diesel locomotives, arriving at Folkestone in southeastern England at 10:20 A.M., 3 hours and 20 minutes after leaving Coquelles in northeastern France.

The train, 200 meters long, was carrying 30 engineers on the test run, designed to try out the British terminal and lines. Eurotunnel officials say that, beginning next summer, Eurostar will travel at speeds of up to 160 kilometers an hour through the Channel Tunnel; the journey from Paris to London will require less than three hours.

Officials in Alaska are contesting the accuracy of an advertisement in which an animal-rights group, Friends of Animals, suggests that tourists boycott Alaska until it bans state-sanctioned wolf kills. Bruce Botelho, an assistant attorney general in Juneau, said the state might sue. The president of Friends of Animals, Priscilla Peral, said she was satisfied the ad was accurate. (AP)

### This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

**MONDAY:** Bahrain, Brunei, Colombia, Malaysia, Mauritania, Oman, Sudan, Syria, Tunisia, United Arab Emirates.

**TUESDAY:** Sweden.

**WEDNESDAY:** Estonia, Luxembourg, Switzerland.

**THURSDAY:** Estonia, Hong Kong, Latvia, Macao, Taiwan, Venezuela, Zaire.

**FRIDAY:** Finland, Mozambique, Sweden.

**SATURDAY:** Finland, Madagascar, Slovenia, Somali, Sweden.

Sources: J.P. Morgan, Reuters.

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# STATESIDE / RED LIGHT, GREEN LIGHT



**JAZZ ON THE SOUTH LAWN** — President Bill Clinton, on saxophone, joined musicians of the Newport Jazz Festival to wind up a concert at the White House. Standing between the veteran Illinois Jacquet, left, and the saxophonist Joshua Redman, the president joined in celebrating the festival's 40th anniversary. Public Broadcasting taped the session, which will be televised in September.

## 4 U.S. Schools Get Huge Annenberg Gift

By Deborah Sontag  
*New York Times Service*

**NEW YORK** — Walter H. Annenberg, the billionaire who made his fortune mostly from the magazine TV Guide, has announced the largest one-time gift to private education in U.S. history — \$265 million in cash grants to three universities and \$100 million to a little-known preparatory school in Hightstown, New Jersey.

Mr. Annenberg is awarding \$25 million to Harvard University and \$120 million each to the communications programs at the University of Southern California and the University of Pennsylvania.

The \$100 million is going to Peddie School, from which he graduated in 1917. The school, near Trenton, was founded in 1721.

"I'm interested in the young people because the character of our country will be shaped by young people in the days ahead," said Mr. Annenberg, who is 85. "Now, good heavens, what is more important than that?"

Individually, the grants to Peddie, USC and Penn are the largest cash gifts ever made to a preparatory school or to a university. All will be paid by the end of the year, rather than in staggered sums.

The record contribution so far to a university — \$125 million in cash, stocks and bonds — was by C. B. Pennington, who made his fortune

in the oil business. He made the pledge to Louisiana State in 1980. The money was put in a trust and a portion is turned over each year.

"I don't want to knock any kind of philanthropy but clearly there's an enormous difference between a pledge and someone who says 'I'll give you a check for \$120 million right now,'" said Steven B. Sample, president of the University of Southern California.

"What Walter Annenberg is doing is establishing a whole new level of giving for higher education, and doing this at a time when public support has been severely restrained and, in many cases, set back."

Asked why he chose this moment to give away \$365 million of his foundation's total of \$1.55 billion in assets, Mr. Annenberg said: "Why? Because I wanted to. I'm interested in sending word to others who have sizable foundations that now is the time to stop talking and act. If anybody objects to that, well, I'm sorry."

Mr. Annenberg's gift to the New Jersey secondary school will transform it overnight into one of the richest preparatory schools in the nation.

With the \$100 million grant, Peddie's endowment will rise to \$117 million. At least \$3 million a year will be earmarked for scholarship and financial aid to students of all income levels.

"I keep pinching myself to make sure I'm not dreaming," said Thomas A. DeGray, headmas-

ter of the 500-student school. "When I'm convinced I'm not dreaming, I feel like I'm the luckiest guy in the world. I can't imagine this has ever happened to any other school head and it may never happen again."

At USC, the gift, which will increase its \$800 million endowment by 15 percent, will create the Annenberg Center for Communications. The endowed center will have about \$12 million a year to spend on scholarships, mid-career fellowships, visiting scholars, faculty research and an undergraduate residential college.

At Harvard, which has a \$5.3 billion endowment, Annenberg's \$25 million contribution will have a less dramatic effect. All the money will be devoted to undergraduate education, in memory of Roger Annenberg, the publisher's son who died at 22 while at Harvard.

Mr. Annenberg, who served for a time as ambassador to Britain, said he made his first contribution the day he graduated from the Peddie School 66 years ago. He donated \$17,000 to build a cinder track.

Since then, among scores of donations, he has given his entire collection of Impressionist and Postimpressionist art, valued at \$1 billion, to the Metropolitan Museum of Art in New York. And he made a \$50 million contribution to the United Negro College Fund in 1990, the largest single donation to black higher education in the United States.

## U.S. Navy Colors In The Gray Areas of Sexual Harassment

By Maureen Dowd  
*New York Times Service*

**WASHINGTON** — Washington is famous for its ominous reds — red tape, red ink, the red phone. Now there is also the red zone, the U.S. Navy's attempt to offer simple, "bumper sticker" instructions on curbing sexual harassment.

With a few succinct phrases, recently sent to all commanding officers in a quarterly information packet called the "Captain's Call Kit," the Department of the Navy tries to answer a question that has obsessed and confounded the nation since the navy's Tailhook scandal and the Anita Hill-Clarence Thomas hearings on Capitol Hill: "What Is Sexual Harassment?"

This single-page effort to answer that question, and another longer brochure that will be distributed to navy and Marine officers, called "Resolving Conflict: Following the Light of Personal Behavior," drastically boils down a more in-depth training system developed by the Standing Committee on Women in the Naval Service in the aftermath of Tailhook.

Designed to be displayed on military bulletin boards around the country, the folder insert does not deal with psychology or military culture, or address any of the more outrageous incidents outlined in the navy's report on the Tailhook episode: "streaking," "mooning," "leg-shaving" and "butt biting."

Instead, with the bland vocabulary of a suburban high school guidance counselor and the simple clarity of the children's game "Red Light, Green Light," it uses traffic-light colors to group acceptable and unacceptable forms of behavior between the sexes.

The green zone (Go), includes, "placing a hand on a person's elbow," and "everyday social interaction such as saying, 'Hello, how are you?' or 'Did you have a good weekend?'"

The yellow zone (Slow down to stop), includes "whistling," "un-

wanted poems," "violating 'personal space'" and "questions about personal life."

And the red zone (Stop), includes "sexual favors in return for employment rewards and threats if sexual favors are not provided" and "sexual assault and rape."

While navy officials are proud of what Rear Admiral Kendall Pease, the chief of navy information, calls their "sound bite, bumper sticker" approach, it has also provoked some jibes from Pentagon officials, who do not believe that such a complex, nuanced, subjective issue can be reduced to a few color-coded do's and don'ts.

As one army officer based at the Pentagon said sarcastically: "Oh, gosh, I didn't know saying, 'Good morning,' to someone is a green zone, and I'm really glad to know that rape is a red zone."

The doubters argue that the navy's motives are commendable, but worry that sexual harassment is a large, difficult subject that does not lend itself to military regimentation and codification.

While it is easy to define the extremes, it is not so easy to reduce the gray areas to a few phrases, which has been vividly underscored as the nation has struggled to figure out proper codes of sexual behavior, including what constitutes harassment in the office, and the proper definition of "date rape."

It is a difficult period for the U.S. military culture, which has always operated by the book, grounded in certainties on everything from the exact angle of a salute, to the exact way to fold the corners of bed sheets, to the exact day to switch from winter to summer uniforms.

Now the military finds itself awash in gray areas as it tries to define proper sexual behavior, both between men and women, and as it develops rules for sexual behavior for everyone in the military to meet President Bill Clinton's commitment to allow avowed homosexuals to serve.

### ★ POLITICAL NOTES ★

#### Clinton Is Reported to Have a Half-Brother

**WASHINGTON** — President Bill Clinton has a half-brother, Henry Leon Ritzenthaler, who was born several years before their father met Mr. Clinton's mother, The Washington Post reported Sunday.

A long article in the paper's Style section — telling more about the president's father than about Mr. Clinton and Mr. Ritzenthaler — is accompanied by photographs of Mr. Clinton, the half-brother and their father, Bill Blythe. The father died in an automobile accident several weeks before Mr. Clinton was born.

Mr. Ritzenthaler was given his adoptive father's name, just as Mr. Clinton bears the name of his adoptive father.

The paper also printed a photostat of Mr. Ritzenthaler's birth certificate showing that he was born in Sherman, Texas, as Henry Leon Blythe, the son of W. J. Blythe and Adele Gash.

The paper interviewed Adele Gash Coffelt — the 75-year-old widow who subsequently remarried — at her home in California. She told how she and Mr. Blythe were married when they were 17 years old and were divorced after a few months.

The report says Adele Coffelt did not discover that the father of her son was also the father of Bill Clinton until a relative sent her a magazine clipping during the presidential election campaign.

Mr. Ritzenthaler, 55, is retired — because of a heart condition — from a janitorial service he once owned, the article said. It added that he wrote to Mr. Clinton at the Arkansas governor's mansion late in the presidential campaign, introducing himself, including a copy of his birth certificate and requesting any information the governor could supply about the Blythe family health history.

"I don't want any money out of this or anything," Mr. Ritzenthaler told the Post. "All I would like to do is meet the man. I would be honored to get to know him a little." AP

#### Senators Predict Bitter Fight on Deficit Bill

**WASHINGTON** — Senate leaders, speaking Sunday, signaled a bitter floor fight this week on President Bill Clinton's federal deficit-cutting plan. But Democrats vowed that they have enough votes to push the plan through.

"It can be argued that it is the most progressive change in the tax code we have seen since World War II in terms of who pays what," said Senator Daniel Patrick Moynihan, the New York Democrat who is chairman of the powerful Finance Committee.

"We have the majority we need and we will produce it," added Mr. Moynihan, interviewed along with the Senate minority leader, Bob Dole, of Kansas, on CBS television.

Senator Dole charged that the plan was laden with tax increases and short on spending cuts. He said it would result in a deficit cut of only \$347 billion over five years instead of the more than \$500 billion claimed by the Democrats.

Mr. Moynihan said the burden of new taxes under the Clinton plan would be carried mainly by wealthy Americans, but Mr. Dole warned that Republicans would push hard for changes on the Senate floor this week. (Reuters) WP

### Away From Politics

● A 10-year-old boy was mauled to death by an alligator while on a river outing with his family in Florida. The alligator pulled the boy under water as he waded in a shallow section of the Loxahatchee River, about 20 miles north of Palm Beach. The authorities said it was the first fatal alligator attack in Florida since a 4-year-old girl was killed five years ago.

● The launching of the space shuttle Endeavour was delayed by at least 24 hours because of poor weather. Ground crews at Cape Canaveral, Florida, were expected to make a second attempt at a liftoff at 9:07 A.M. on Monday, barring other weather or technical problems.

● Brawls broke out between white residents of Corsicana, Texas, and members of the Black Panthers from Dallas who showed up at a Ku Klux Klan rally. A black man and woman and three white men were arrested on disorderly conduct, assault and public intoxication charges. The Klan rally was intended to show support for the local police, who have been the subject of sporadic protests since a 29-year-old man died while in custody two weeks ago.

● Pepsi-Cola Co. is using full-page advertisements in newspapers around the country to thank consumers who stayed with its soft drinks through a scare over false claims that syringes, hypodermic needles and other objects had been found in cans of the product. The company said it had purchased space in 12 major metropolitan newspapers and had made the ad available for its bottlers to place in up to 200 other papers.

● An injured teenager survived two days in the dense underbrush of a remote California canyon after a car she was driving crashed northeast of San Diego, killing her two passengers, officials said. Finally, two telephone linemen heard Dawnya Skoglund, 16, calling for help.

● The first tropical storm of the Atlantic hurricane season to receive a name, Arlene, soaked much of the Texas Gulf Coast with rain but barely had enough wind to justify its title. A tropical-storm warning was posted for the Texas coast from Brownsville northeastward to Matagorda, and a coastal flood watch extended from Matagorda to Port Arthur at the Louisiana state line. AP, Reuters

## Sir William Golding, 81, Dies, Author of 'Lord of the Flies'

By Bruce Lambert  
*New York Times Service*

Sir William Golding, 81, the Nobel Prize-winning author of the classic "Lord of the Flies" and other disturbing works exploring the dark side of human nature, died Saturday at his home in Perranarworthal, England.

A heart attack was the probable cause, said Matthew Evans, chairman of his publisher, Faber and Faber.

Sir William was 73 when he won the Nobel Prize for literature in 1983, and he was knighted in 1988. Although he was primarily a novelist, his writing also included short stories, dramas, essays and poetry.

Sir William was best known for his themes of the struggle between good and evil and for symbolism that invited interpretations on many levels.

After a string of rejections, in 1954 he published his first and most popular book, "Lord of the Flies." It portrays a group of proper British schoolboys who, when marooned on a deserted island by a plane crash during a global war, lose their societal inhibitions and regress into shocking savagery.

The novel inspired two films and became a standard on college and high school reading lists.

For a man who once complained of his "inability to write poetry," Sir William made a major contribution to English literature.

Although his succeeding works never matched "Lord of the Flies" in sales, they continued to win close critical attention. They included "The Inheritors" (1955), "Pincher Martin" (1956), "Free Fall" (1959), "The Spire" (1964), "Darkness Visible" (1979) and "Rites of Passage" (1980).

"Rites of Passage" won Britain's premier literary award, the Booker Prize, in 1980. It describes a voyage to Australia in the 19th century, showing how a pompous cleric becomes involved in a sexual scandal and dies of shame.

In 1987, Sir William completed a

sequel to "Rites of Passage" called "Close Quarters." A third novel, "Fire Down Below," finished the series in 1989.

In a rare interview, he spoke of death: "I'd rather there wasn't an afterlife, really. I'd much rather not see me for thousands of years. Me? Hah!"

William G. Golding was born on Sept. 19, 1911, in Cornwall. He was educated at Marlborough Grammar School, where his father taught, then studied science and later English at Oxford.

After college, he joined the Royal Navy, serving as a lieutenant commanding a rocket-firing ship, taking part in the Normandy landings in 1944 and developing an enduring love of the sea.

He spent his last years quietly with his wife of 54 years, the former

Ann Brookfield, at their home near Falmouth, Cornwall.

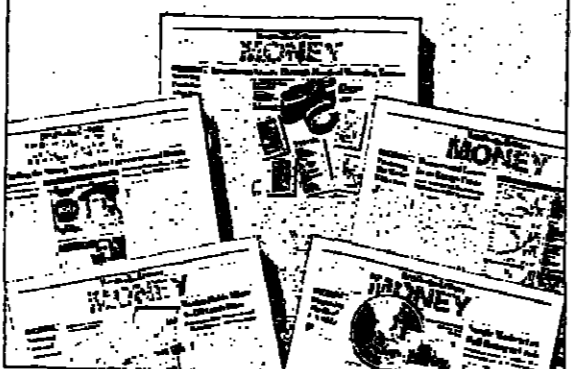
**Vera, 84, Whose Name Was on Scarves and Linens**

**NEW YORK** — Vera, 84, the designer whose work was exhibited on scarves, linens, draperies and sportswear for nearly 50 years, died Tuesday after surgery in Tarrytown, New York.

Vera Neumann, who used only her first name professionally, was a painter whose work was exhibited in many countries, and her designs typically began as paintings. For motifs, she preferred flowers, leaves, ferns, grass, vegetables, the sun and ladybugs. A "ladybug means good luck in every language," she said. She introduced the first signature scarf in the late 1940s.

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THE MONEY REPORT every Saturday in the IHT.



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# Defensive Measures By Israel It Seeks to Block North Korea Arms

By Clyde Haberman  
New York Times Service

JERUSALEM — Although the countries have no diplomatic relations, Israel has quietly had a series of contacts with North Korea, hoping that a lure of economic cooperation may stop the Koreans from providing nuclear technology and a nuclear-capable missile to Iran, officials in Jerusalem say.

The missile, the Rodong-1, also known as the Scud-D, is still being developed. But Israeli officials have already expressed great concern because it is believed able to carry nuclear chemical warheads and because, unlike earlier generations of the missile, it has a stated range of about 600 miles (975 kilometers) and would put Israel within striking distance of missile sites in western Iran.

Similarly, Japanese officials fear that the Rodong-1 would enable the North Koreans to hit some of their most populous cities. The worry in Jerusalem is that the hard-pressed Pyongyang government plans the missile mostly for export, and intends to provide it to Iran in return for oil.

As far as I know, Iran has placed an order for 150 of these missiles and has sent five high-ranking delegations to North Korea this year, said Professor Ben-Ami Shillony, a specialist in East Asian affairs at the Hebrew University of Jerusalem.

An Israeli official said, "The Iranian threat is taken very seriously." The official added that the worries extend to technological help that North Korea reportedly is giving to Iran's attempts to become a nuclear power.

As a result, Israel has discussed possible business ventures with Pyongyang, the goal being to make it economically worthwhile for the North Koreans to abandon their planned missile sales.

Officials here say the North Koreans have been eager negotiators, going so far as to offer to sell Israel a gold mine in their attempts to raise cash and ease their diplomatic isolation.

The officials said the contacts began in October with a secret visit by senior Israeli officials to Pyongyang but were suspended after the signing of the United States and Washington wanted to deepen North Korea's isolation after it announced in March that it would withdraw from Nuclear Nonproliferation Treaty. On June 11, North Korea agreed to suspend the withdrawal.

Three days later, Foreign Minister Shimon Peres of Israel met in Vienna with the U.S. secretary of state, Warren M. Christopher, and asked for permission to resume contacts with North Korea in light of the latest shift by Pyongyang, Israeli officials said.

Officials said Washington had given them a go-ahead, confirming a report in the newspaper Davar that Eitan Bentsur, the Foreign Ministry's deputy director general, would leave soon for Pyongyang to restart negotiations.

The bomb, which killed seven people and injured 15 on Friday, struck passersby, men in a cafe and vendors outside a mosque in the northern suburb of Shubra. It provoked a torrent of rage and disgust at the militants presumed to be responsible.

"The Muslim Brotherhood has vowed to God to work hard for the benefit of this country, its security, safety, unity and stability," the group said in a statement. It denounced "this ugly crime" that took place "by blowing up a time bomb among the masses, killing and wounding innocent people."

## AMERICAN TOPICS

### Dictionaries Duel Over Use of 'Ain't'

"Ain't ain't in the dictionary," or so the old joke goes. In fact, it has been listed for decades with varying degrees of tolerance. But its status remains uncertain. Merriam-Webster's Collegiate Dictionary's 10th edition, released last month, says, "Although widely disapproved as nonstandard and more common in the habitual speech of less educated, 'ain't' is flourishing in American English. It is used in both speech and writing to catch attention and to gain emphasis."

Houghton Mifflin Co.'s American Heritage College Dictionary, Third Edition, to be released next month, labels "ain't" as "non-standard" — its strongest designation for an unacceptable word. "Ain't" has by now acquired such a stigma that it is beyond any possibility of rehabilitation," it said. But it notes that educated speakers use the word "when they want to strike a jocular or popular note."

Which approach is right depends on how one defines a dictionary's purpose. Merriam-Webster, traditionally permissive, stresses the importance of showing language as it is used. The American Heritage Dictionary stresses language as it should be used.

### Short Takes

To discourage would-be carjackers from getting too close, a life-size cloth and plastic dummy called "Safe-T-Man" costs \$99 from Barbara LesStrang of El Monte, California. Safe-T-Man, a



TRAIN SHIPS OUT — One of two high-speed German rail cars being loaded aboard a freighter in Bremerhaven for shipment to the United States for tests by Amtrak as part of a cooperative deal between the U.S. railroad network and the German Bundesbahn.

brawny chap with baseball cap and dark glasses, sits in the front passenger seat and looks untruly real from more than a few feet away.

"Why," a Washington Post reader asks, "did geologists come up with names and dates for geologic time periods that no one could possibly ever remember?" Because, the "Why Things Are" column replies, they were not invented all at once, like the metric system, but were pieced together over several generations. "Devonian" was named by a scientist working on some rocks in Devon, England. The Mississippian and the Pennsylvanian periods got

their names in the same way. Tertiary is left over from another scientist's attempt in the 1700s to come up with a simple geologic time scale system, but the primary and secondary periods were given other names by other scientists. And so on.

Because of unfavorable weather — not enough warm days and cold nights to get the sap flowing, plus deep snow that made tree-tapping difficult — maple syrup production for the United States totaled 1.01 million gallons (about 3.8 million liters) this year, down 43 percent from last year.

Cracker Jack, the sailor boy on the box of candied popcorn and

peanuts, is 100 years old this year. Although Cracker Jack began making a name for itself as soon as it was introduced at the Chicago World's Fair of 1893 by a local popcorn company, it has been extrinsically linked with baseball since 1908, when "Take Me Out to the Ballgame," in which the singer demands peanuts and Cracker Jack, became a music-hall hit. Today Cracker Jack, owned by Borden Inc., sells about 250 million boxes a year but may go higher this year with two versions, the original and a new but-ter-toffee flavor.

Why is blue grass, *Poa potensis*, called blue, since it is as green as

any other grass? Because, says Dag Ryan of Lexington, Kentucky, the horse-raising heart of bluegrass country, in a letter to The New York Times, "the grass is named for the seed heads," which appear when the grass is allowed to grow unshorn to a height of two or three feet (up to about a meter). A field of this grass "is unmistakably blue." Mr. Ryan writes, But "in the bluegrass country, as in most of suburban America, the grass is seldom allowed to reach maturity" before it is mowed, so few people know "how blue a stand of bluegrass can be."

Arthur Higbee

# De Klerk Campaigns - Who Would Have Thought It? - for Black Votes

By Bill Keller  
New York Times Service

PIETERSBURG, South Africa — With an African pageant of ostrich-plumed dancers and thundering tribal drums, President Frederik W. de Klerk has begun his improbable campaign for the votes of South African blacks.

Mr. de Klerk, who was introduced as a "strong chief" and the man "who liberated South Africa," told the overwhelming white crowd at a livestock show ground in the northern farm town of Pietersburg that the event symbolized his party's rebirth from the white oligarchy that invented apartheid to a rainbow coalition

of peace-loving, prosperity-seeking moderates. It was debatable whether the crowd of 5,000 on Saturday, brought in by bus with promises of a free supper, would translate into substantial black support for Mr. de Klerk in the country's first universal elections next April.

But for the National Party, which came to power in 1948 with an almost religious commitment to separation of the races, the rally was a watershed that would have dumfounded Mr. de Klerk's predecessors. And that left some of the loyalists shaking their heads in disbelief. Although the party officially opened its membership to nonwhites in 1990 and has made big inroads among the more

conservative mixed-race and Indian voters, it has never before put on a campaign event for blacks. Most polls show black support for the National Party at 1 or 2 percent.

But Mr. de Klerk is desperate for black support to offset defections by frightened whites and to provide his party at least enough influence in the next government to offset the power of the expected winner, Nelson Mandela's African National Congress.

Party organizers were so concerned about mustering a respectable turnout for their black debut, and so worried about disruptions by black militants or far-wing whites, that the event was selectively publicized.

The last time Mr. de Klerk approached a black crowd was a year ago, when he ventured into the bereaved township of Venturport to console survivors of a massacre. He was chased from the township by a furious mob.

To avert a similar public-relations disaster, the party staged this rally far from the militant townships around Johannesburg, in one of the few areas of South Africa where black votes may be up for grabs.

Most of the audience was based in three nearby tribal homelands, Venda, Gazankulu and Lebowa, created under apartheid as repositories for blacks forcibly displaced from the more desirable farmlands.

John Fenyane, who toils on a farm in the remote eastern town of Burgersfort, said he had come with 40 other black farm laborers because the white farm boss promised them the day off work to attend. Although he happily accepted \$6 in pocket money and wore a new National Party T-shirt and a red banner identifying him as a rally marshal, he was eager to explain that the uniform "is not my heart."

"In my own future," he said, "I think I will be ANC to the end." The blacks who came listened impassively to the party's peppy new jingle — "Black and white, let's all unite" — and dutifully waved their paper National Party flags when Mr. de Klerk circled the

show ground, standing in the back of a red pickup truck and waving like a triumphant athlete.

Then, flanked by tribal chiefs, Mr. de Klerk sat on a shaded dais sipping from a can of Coca-Cola while a series of dance troupes whirled and chanted in the dust below him. Several speakers hailed the new president in the fashion of liberation movement rallies, with lusty cries of "Viva President de Klerk!" and "Long live President de Klerk!"

One chief demanded that the power of chiefs be enshrined in the new constitution, while another urged that the new South Africa install tribal royalty in a kind of African House of Lords.

## PARTY: End of LDP Era Could Be Problem for U.S.

Continued from Page 1

al Democratic Party's 38-year-old majority in the lower house are preparing to bolt from the party. It announced Saturday that they were breaking away, and the leaders of the group that ousted Mr. Miyazawa are expected to announce the formation of a new, competing conservative party on Wednesday.

In private, leaders of the old guard surrounding Mr. Miyazawa concede that it will be virtually impossible to hold on to the majority it has commanded in the lower house of parliament beginning in 1953. That was before 40 percent of Japan's population — now 123 million people — was born.

The early date set for the election means that the paralyzed caretaker government will be in the midst of a desperate campaign — with candidates' sound trucks blaring through the streets of Tokyo — by the time President Bill Clinton and the leaders of the six other major industrial nations arrive here in three weeks for their economic summit meeting.

But the leaders of the Liberal Democratic Party felt they had no choice but to hold the election as soon as possible. If they waited even a week more, election day would take place just after the start of a criminal trial against Shin Kanemaru, the power broker who until last year epitomized the party's awesome power, appointing and dismissing prime ministers at will and receiving millions of dollars in illicit payments.

Mr. Kanemaru is accused of evading taxes on tens of millions of dollars found in his home and offices this year, including several hundred pounds of gold bars kept in an old safe.

His hoard of gold exemplifies America's dilemma in dealing with Japan's leaders. He often described himself as America's close friend and was treated that way when he visited Washington last year, just before scandal erupted around

him, President George Bush invited him to the family quarters of the White House for coffee.

When the United States needed Japanese help — a huge \$13 billion contribution to the Gulf War, or aid to Russia or big contributions to America's space station or the cost of stationing U.S. troops in the Pacific — it was Mr. Kanemaru and his circle of fellow septuagenarians who always came through.

The huge faction that he and former Prime Minister Noboru Takeshita headed could solve in a single phone call problems that otherwise might cost American negotiators months or years of arguing with Japan's bureaucracy.

It is a relationship with nearly a half-century of history. "When the American occupation of Japan began, we purged the right wing," Robert Orr, a political scientist at Temple University's campus here, noted. "Then in 1947 we reversed it all, put them back in politics to counter the Socialists and the Communists, and began to imprison the leftists."

For decades, many Japanese and American officials say privately, the Central Intelligence Agency even financed the Liberal Democratic Party to make sure it did not lose ground to its opposition. And Japanese voters came to associate the party with stability and anti-communism.

But by the 1980s, the rampant corruption and arrogance that underpinned the faction's power — and eventually set off its collapse and the party split that brought down the government — often worked very much against American economic interests.

No American construction company, for example, had a prayer of competing for huge government contracts with Japanese companies that propped the faction up with millions of dollars in secret donations.

Thus, as the relationship of America with Japan turned from security to trade, many have argued that his interest are changing.

"With the end of the cold war, I think you can argue that it is far better for our interests if there are two centrist parties, alternating power," said Michael Mochizuki, a professor at the University of Southern California who specializes in Japanese politics. "I'm one of those who always thought that the L.D.P. was more part of the problem than part of the solution."

The argument is simple: with two such parties actively contesting seats, one is bound to take up the interests of consumers — and thus the interests of American business, whose goods here would make Japan's markets far more competitive.

Until now, consumer interests have always been subordinated to the interests of Japan's manufacturers, who are also, of course, the money supply for the Liberal Democrats.

Many argue that their day is long gone. "Having accomplished what they set out to accomplish after the war, none of the parties today any longer serves Japan's needs," Kenichi Ohnuma, a well-known management consultant who recently staged a reform movement to change all of Japan's political parties, said recently.

The problem with the argument is that although it may make sense in American terms — politics often turns on pitting the interests of producers against consumers — no one knows whether it will have much appeal in Japan.

Moreover, the rebels who dethroned Mr. Miyazawa are old wine in new bottles. Ichiro Ozawa, the "reformer" who masterminded the coup, was trained by Mr. Kanemaru, and before that by Kakuei Tanaka, the prime minister most associated with the Lockheed scandal of the 1970's and a range of other shady deals.

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## JAPAN: Rebel Political Leaders Promise Flexibility

Continued from Page 1

day. "It is seen as a certainty that it will fall below a majority."

That means Mr. Miyazawa is likely to be out of a job only weeks after the summit meeting of the Group of Seven, a situation for which Mr. Kato said Mr. Hata and other Liberal Democratic Party defectors bear responsibility.

summit countries will say. "Japan's not a true democracy."

The remarks underline the concern that the political upheaval could jeopardize trade talks with the United States as well as the Group of Seven meeting.

Political paralysis resulting from the turmoil could also delay additional measures to stimulate Japan's limp economy. According to new figures issued Friday, the Japanese economy is showing the first signs, albeit feeble ones, of recovering from its worst slump in two decades. (AP, Reuters, NYT)

## French Marches Protest Immigrant Crackdown

Resters

PARIS — Opponents of a government crackdown on immigration held protests throughout France on Saturday, and two centrist ministers, Health and Social Affairs Minister Simone Veil and Justice Minister Pierre Mechaiegnie, said they would seek to soften some of the measures.

About 10,000 people, mobilized by anti-racist and human-rights groups as well as the left-wing opposition and trade unions, marched through central Paris, organizers said. Despite the national scope of the protest, turnout was modest, and few major political leaders took part. About 1,000 people demonstrated.

# U.S. Marines Arrive Off Somalia as UN Searches for Aidid

Compiled by Our Staff From Dispatches

MOGADISHU, Somalia — Four ships carrying 4,200 U.S. Marines arrived off Mogadishu on Sunday as the United Nations postponed plans to resume food distribution in the southern part of the capital, saying the area was still too dangerous.

Aircraft from the U.S. amphibious force flew over the devastated city, where the fugitive warlord, General Mohammed Farrah Aidid, is believed to be hiding after his headquarters were captured on Thursday in an air and ground assault by UN forces.

The warlord denies orchestrating June 5 ambushes that killed 23 Pakistani UN troops and led to the assault on his headquarters. He also was involved in much of the fighting that brought the deployment in December of a multinational force to protect aid deliveries. An estimated 350,000 Somalis died last year because of war, famine and disease.

The four ships carrying the Marines were about 500 meters offshore. A UN military spokesman said there were no plans to bring the Marines ashore immediately.

The United Nations had planned to resume food distribution Sunday in southern Mogadishu, which has been cut off from aid since the killing of the Pakistani peacekeepers, but the plans were postponed for security reasons.

Pakistani troops said they wanted to carry out a final reconnaissance of the food distribution points to ensure that they would be in a better position to defend themselves from any new attack.

The food handout was supposed to refocus the attention of Mogadishu's 1 million people on the relief role that brought the United Nations to Somalia in the first place, and to temper the controversy over the killings of civilians by UN peacekeepers.

"It's very important that we deliver food to the south," said Mark Mullen, field coordinator for UN operations in Somalia.

He acknowledged that many residents of General Aidid's southern fiefdom were hostile to the Pakistanis.

"We've had several meetings with local community representatives and, quite honestly, they don't like the idea of Pakistani forces providing security," Mr. Mullen said.

A group of UN lawyers has arrived in Mogadishu to advise the peacekeeping force on carrying out orders to arrest General Aidid on charges that include crimes against humanity.

The UN special representative, Jonathan T. Howe, ordered the arrest of General Aidid, who is also blamed for the deaths of some 20 Somali civilians allegedly used as human shields in a clash with Pakistani forces a week ago.

Major David Stockwell, the UN military spokesman, said at a news briefing Sunday that three out of 11 missiles fired during the assault on General Aidid's headquarters went out of control and missed their target.

One of them hit the compound of a French aid agency, where one Somali was reported killed and another injured. (AP, AFP, Reuters)

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OPINION

INTERNATIONAL Herald Tribune

Aggression Rewarded

Seeing that no outside power means to deny it total military victory, Serbia now drops all pretense. Yes, its real goal is to destroy and dismember Bosnia. Not merely to protect the interests of Bosnian Serbs. Yes, it fully intends to keep most of the territory it has forcibly seized and to turn it into an ethnically cleansed Serbian state. And yes, it is happy to parcel out most of the rest to its sometime enemy, sometime ally Croatia.

How About a Trade-Off?

The Japanese trade surplus is, as the White House correctly says, too big. It is a menace to the world's economic stability. In the current trade negotiations, the United States is pressing Japan to reduce that surplus by half over the coming three years. But what about the United States? Its trade deficit is the mirror opposite of the Japanese surplus, almost as large and at least as harmful.

Clinton Hits His Stride

What a difference a week makes. Here was an administration bloodied by self-inflicted wounds and reduced to arguing that it was not incompetent. And then, surprisingly, came three real achievements on a single day: committee approval in both the Senate and House of President Bill Clinton's national service program, serious progress on campaign finance reform, and a big victory in the Senate Finance Committee for the deficit-reduction plan that lies at the heart of Mr. Clinton's strategy for economic renewal.

Other Comment

Clouds Over the G-7 Summit

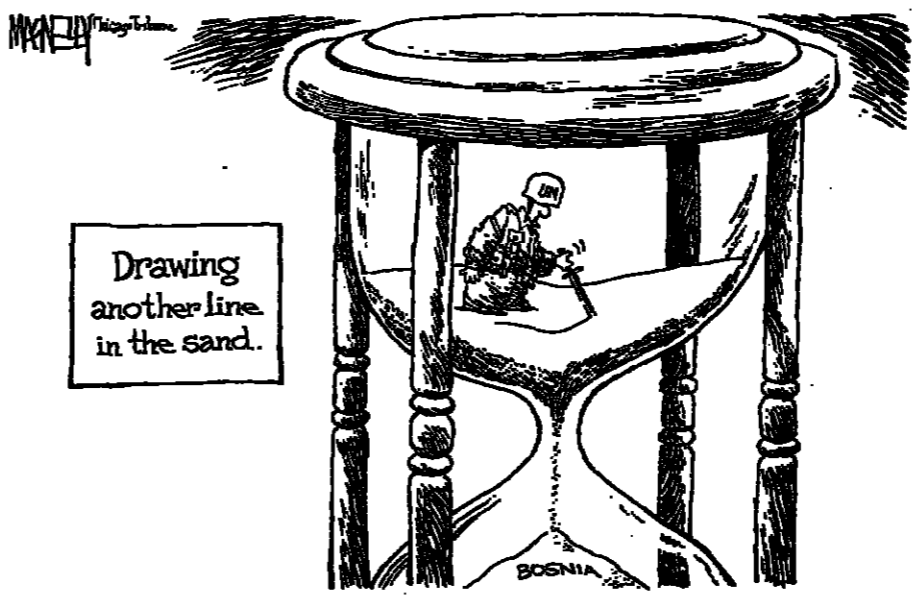
There cannot be much hope that Japan will agree to overhaul the trade imbalance with the United States in talks in Tokyo on June 27-28. Or that the Group of Seven summit in Tokyo will bring an understanding among North America, Europe and Japan. Japan will go to the summit represented by a prime minister who has been humiliated by a no-confidence vote. With Japan's preoccupations, no one should expect much from a mere Group of Seven summit.

Take Cover: America Hands Off to the UN

By Stephen S. Rosenfeld

WASHINGTON — Indecisive on Bosnia? Not me, President Bill Clinton insisted this past week in a defense of his style that goes to the heart of the substance of his foreign policy. In Bosnia, he said, he made a decision and stuck to it, but the allies would not go along: "The United Nations controls what happens in Bosnia."

and the policy turned out to be unworkable. But he does not address the decline in purpose and resources that has left the United Nations with diminishing capacity for going it alone. Others see a need not for less multilateralism but for more. Former UN Undersecretary-General Brian Urquhart, for one, is plugging establishment of a standby military force of international volunteers that, upon Security Council authorization, the secretary-general could dispatch for timely peace enforcement in a local dispute.



From Japan to France, a Bad Day for Free Trade

By Philip Bowring

HONG KONG — Last Friday was the worst day for the world economy since the invasion of Kuwait, perhaps since the 1973 Middle East war spawned a fourfold oil price rise. It was not just the day which saw the demise of the Liberal Democratic Party political machine that has governed Japan for almost 40 years. It was also the occasion of the most protectionist speech by a senior Western head of government in many years: President François Mitterrand of France urging the European Community to impose barriers against "foreign goods produced in social conditions that cause such an imbalance in the costs of production that we cannot long put up with them."

lock in Tokyo. Lack of stronger sense of purpose means that domestic problems must be tackled, even before there is little direct connection between the two. How different things looked just a week earlier. The United States and the European Community had reached an accord on oilseeds. A new GATT director-general was getting off to a flying start, confident of early success. The Clinton administration was starting to back away from the

inevitably on the person of the top UN bureaucrat, Secretary-General Boutros Boutros Ghali. His critics find him a power grabber slyly maneuvering to shrink the sovereignty of his nominal betters among the members. No doubt he is an ambitious man. But it is ridiculous to imagine that the 183 members of the United Nations, including the mighty, cannot protect their turf against their clerk. I would not defend Mr. Boutros Ghali's every step, but it seems to me obvious that most of his initiatives serve a desperate effort to perform the impossible missions, particularly in peacekeeping, that the members have heaped upon him.

likely to remain distant from the fray, because the justices are predisposed to uphold legislative action. The Rehnquist court is not likely to strike down liberal measures passed by Congress and signed into law by President Clinton. Over the past few years, it has backed off from using its political weight several times. It showed no interest in aggressively applying the Fifth Amendment clause that prohibits the state from taking private property without "just compensation," and it reaffirmed the constitutional-ity of rent control.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: Treasonous Talk

PARIS — The *Cocarde*, which has accused so many men of treason, last night [June 21] accused M. Clemenceau of that offense. M. Edouard Duret, its editor, says that the Parliamentary sitting two days ago at which M. Clemenceau was so badly used, was only the prelude to a series of revelations of exceptional gravity to be made in Parliament and in the press.

1918: Turkish Attacks

NEW YORK — The State Department issues information on despatches received from the American Minister at Teheran announcing that Turkish troops have seized the American and British consulates at Tabriz, and have pillaged the American hospital in the same town. Mr. Lansing says that he has ordered an immediate inquiry into the facts. There does not appear to be any doubt here that Turkey has acted according to precise instruction from Germany.

The Basics Take Over The Docket

By Robert Guffra

NEW YORK — The Supreme Court justices may be feeling lonely because they are becoming increasingly irrelevant to America's central political debates. They will have to get used to their lower political profile. A glance at the docket shows that the court is not likely to issue any blockbuster decisions before the term ends later this month. The nomination of Ruth Bader Ginsburg has provoked controversy only over the selection process. Her confirmation hearing will not — and should not — be an acquisition.

Over the past few years, the court has backed off from using its political weight several times.

It might take a closer look at affirmative action or campaign finance legislation in upcoming terms, but those are about the only wide-reaching political issues it may consider. The justices seem to want to be left alone. Perhaps because they are finding themselves in agreement with like-minded Reagan and Bush appointees in the lower federal courts, or want to avoid more bruising internal battles, the number of decisions issued has declined steadily since 1987. This term they will issue about 100 decisions — down from an average of 150 per term over the past decade. They refused in November, by a 6-to-3 vote, to review a strict Gunboat abortion law. And they denied review of the San Francisco Police Department's affirmative action plan in March without comment. The administration's solicitor-general is not likely to press the conservative justices into action by bringing divisive issues to their attention.

Now, as in much of the 19th and early 20th centuries, the court has been left to decide technical legal questions, not the great moral dilemmas of the day. The justices spent their time this term interpreting such, relatively inconsequential statutes as the 1940 Soldiers' and Sailors' Civil Relief Act, the 1982 Debt Collection Act and the Longshore and Harbor Workers' Compensation Act. The caseload has become so dull that a "big" case involved the question of whether the First Amendment protects the sacrifice of animals in religious services (it does).

Perhaps the prospect of becoming the junior justice on a court relegated to resolving tax, bankruptcy and securities cases is what prompted Governor Mario Cuomo to stay in New York. The court needs someone knowledgeable in the intricacies of business and administrative law (such as Judge Ginsburg), not a skilled politician. As the nation's political winds shift, the court may again return to the forefront. In the meantime, the justices can direct their energies to the low-profile but important business of making the legal system more efficient — something they have neglected for too long.

The writer, a lawyer, was a law clerk to Chief Justice William Rehnquist from 1988 to 1989. He contributed this comment to The New York Times.

When Saving the Family Only Makes Matters Worse

By Patrick Murphy

CHICAGO — Take any floor of a typical low-income housing project. In one apartment, there might be a single woman in her mid-20s with two kids, struggling on a meager welfare check to keep the children dressed, clean and in school. Down the hall is a family of six. Despite months of looking, Mom works as a maid and Dad, unemployed, does a few odd jobs. At the end of the hall, there is a heavy crack cocaine user. Her boyfriend also gets angry he hits the kids. Sometimes they lock the kids in the apartment and go off for hours of partying. The state decides to make life easier for one of these families. Which one? Under welfare laws in Illinois and other states, the mother doing drugs and allowing her boyfriend to belt the kids is the only one entitled to a free housekeeper up to five days a week. She can also receive up to \$2,000 for a security deposit and the first month's rent on a new apartment, as well as furniture and up to \$500 in cash.

December 1991, the aunt of a 3-year-old girl told the family services department that her sister and her sister's lover had physically abused the child. State investigators confirmed the abuse: The child had bruises and rope burns on her body. Instead of bringing the case to court, the department provided a housekeeper and a social worker who between them went to the home a total of 37 times over the next 90 days. The housekeeper helped the mother clean up and make dinner. The social worker took her out for meals and shopping. On March 7, 1992, the aunt telephoned the family services agency again, pleading that the child was still being abused. The agency ignored her. On March 17, the agency closed the case with a glowing report on how well the family was doing. Several hours later, the girl was dead. An autopsy revealed that boiling water had been poured on her genitals and that she had been struck on the head with a blunt instrument. Her body was covered with 43 scars, bruises and rope burns, most of which had been made in the previous few weeks. She weighed 17 pounds. This is not an isolated incident. This spring, a drug-abusing mother, who had been charged with criminal battery of her 2-year-old daughter, was given family preservation services after authorities found the girl and her 8-month-old brother eating out of dishes encrusted with rotten food and swarming with flies. Five days after the services began, the young boy was dead. Apparently the 2-year-old girl had tried to give him a bath while her mother slept in the next room. In 1989, the Illinois Legislature commissioned a three-year study of the family preservation program by

the University of Chicago. Last year, the researchers concluded that families receiving preservation funds were just as likely to have their children eventually placed in foster care as were families that received no funds. The report showed that the state was spending \$20 million a year in an effort to save \$2 million in foster-care expenses. Still, in the best tradition of bureaucracy, after the study was released the Department of Children and Family Services asked that the state expand the program. The family preservation system is a continuation of sloppy thinking of the 1960s and 1970s that holds, as an unquestionable truth, that society should never blame a victim. Of course, the children are not considered the victims here. Rather the abusive parents are considered victims of poverty and addiction. This is not only patronizing, it endangers children. The vast majority of poor parents do a decent job of raising their children under adverse conditions. In effect, the state is saying: Beat up or rape the kid next door and the government locks you up; beat up or rape your own kid and the government rushes in a housekeeper. What kind of message does this send? Before more federal money is turned over for these programs, the government should demand that states prove they are effectively monitoring neglectful parents and can guarantee the safety of the children. Most importantly, we should insist that preservation services not be used to keep children with parents who have physically or sexually abused them. There are alternatives. Many abused children have grandparents, aunts and uncles who can and do act as excellent foster parents. We should make it easier for these relatives to

The writer is the Cook County Public Guardian, whose office represents abused children and the disabled elderly. He contributed this comment to The New York Times.

1943: 'The Great Ship'

SOMEWHERE IN ENGLAND — [By John Steinbeck. From our New York edition:] The tide is turning now and it is after midnight. On the bridge, which towers above the pier buildings, there is great activity. The lines are cast off and the engines reversed. The great ship backs carefully into the stream and nearly fills it to both banks. But the little tugs are waiting for her and they bump and persuade her about until she is headed right and they hang beside her like suckling sheep as she moves slowly toward the pier. Only the M.P.'s on watch among the sleeping sailors see the dim outline of the ship slipping by. Down deep in the hospital the things that can happen to so many men have started to happen. A medical major is washing his hands in green soap. An Army nurse in operating uniform stands by holding the doctor's white gown. The anonymous soldier, with the dangerous appendix, is having his stomach shaved by another Army nurse.

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A Special Report

Denmark and the Oresund

Monday, June 21, 1993 Page 8

Copenhagen Looks East To Forge Regional Hub South Sweden Part of 'Gateway' Idea

By Christopher Follett

COPENHAGEN — After losing the Danish-Swedish war, Denmark signed a humiliating peace treaty in 1658 relinquishing to Sweden the provinces of Scania, Halland and Blekinge across the Oresund, the narrow Baltic sound. Hence Copenhagen's peculiar geographic location today at the eastern extremity of the country.

Later Danish attempts to regain Scania failed, but southern Sweden — Danish territory for 700 years, only Swedish for 335 — still feels close to Denmark culturally. With Sweden knocking at Europe's door and plans afoot to build a road and rail link across the Oresund, the region on both sides of the sound seems headed toward becoming a hub of development and innovation at the mouth of the Baltic. And Copenhagen appears on the verge of winning back some of the benefits it lost in a dark chapter of its history.

The Copenhagen urban conglomeration, which includes the capital and the key towns of Elsinore, Roskilde and Køge in the east of the main Danish island of Sjælland, has a population of around 1.6 million. And 700,000 Swedes live within a 50-kilometer, or 30-mile, radius on the other side of the Oresund.

The area has great potential, according to a recent survey by Ake Andersson, professor of regional economy and director of Stockholm's Institute for Studies into the Future, and Christian Wichmann Mathiesen, geography professor of Copenhagen University.

Centered on Copenhagen and Malmö, Sweden's third-largest city, the region could become Europe's fourth or fifth most important research center, the authors predict, employing 1.5 million people at some of the continent's highest salaries. By gross national product, the region ranks eighth and Copenhagen's Kastrup International Airport is the sixth biggest in Europe by passengers handled.

"The cultural and economic integration of south Sweden and northeast Sjælland is a highly realistic goal; its value for the region in real terms would be at least in the order of \$10 billion," the authors say. "Our estimates are based on experience from other creative regions and conditional on an Oresund link being built and Sweden joining the European Community."

The authors note that 60 percent of Scandinavia's pharmaceuticals industry is in the Oresund region, which is also the home of major science and medical research institutes and production, commercial and service operations. Lund, Scandinavia's biggest university, is near Malmö.

The prospect of Sweden's joining the EC by 1995 has injected a sense of life into Swedish-Danish plans. With 20,000 researchers and

80,000 students at higher-education institutions, the region has a potential that has not been fully exploited, according to Ulf Andersson, who heads the Ideon, Sweden's science park in Malmö.

"There has long been a spiritual link and a bridge of knowledge between our Ideon and Copenhagen University's Symbion science park," Mr. Andersson said.

The Ideon started in 1983 as a private cooperative venture involving Lund University and Institute of Technology, Malmö County Council and South Sweden's Chamber of Commerce. In the past decade three science parks have mushroomed in south Sweden, making Ideon and its offshoots the biggest research park in Scandinavia and the third largest in Europe after those in Cambridge and Grenoble. More than 200 companies have offices in the Swedish parks, which employ around 1,500 people in environmental projects as well as biotechnology, computers and information, medicine, agro-foods and electronics.

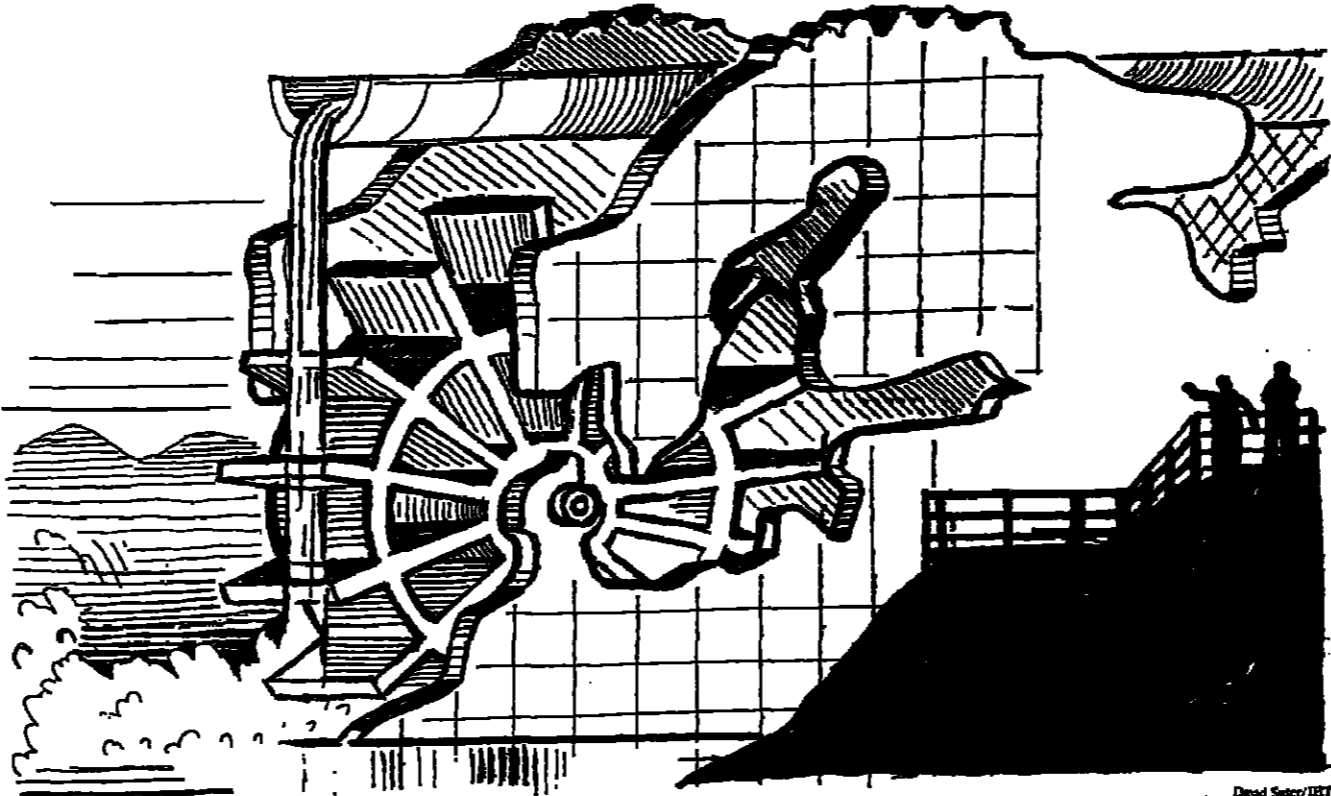
In Denmark, the University of Copenhagen followed Sweden's initiative by establishing, in 1986, the Symbion science park, which also cooperates with the universities of Roskilde and Lund. It houses some 15 concerns, with research concentrated on medical, computer and information technology.

In the past 20 years, there has been remarkably little building in Copenhagen, whose inner city has largely retained its medieval, low-rise ambience, but the present spirit of renaissance has triggered plans for rejuvenation. The plans center on building a new rail link from the airport on the southern island of Amager to the city center, developing vast tracts of harborfront land controlled by the Copenhagen Port Authority for residential and recreational purposes and constructing a 50,000-job business center.

THE city business project, the pet project of Mayor Jens Kramer Mikkelsen, calls for the building of Orestad (Oresund City) on Amager island, along the line of the coming railroad linking the city center with the Bella Conference and Exhibition Center and the airport. Mr. Mikkelsen expects the Orestad project to develop gradually over a period of decades.

As Sweden, Finland and Norway plan to join Denmark as members of the EC by the mid-1990s and as relationships with the former East Germany, Poland, the Baltic republics and western Russia burgeon, Copenhagen sees itself as the geographical center of a new region, and is poised to regain its role as gateway to the Baltic and the North Sea.

CHRISTOPHER FOLLETT is a Copenhagen-based journalist who reports for Danish Radio and Reuters.



Danes Hear Ancient Call Of the Baltic

International Herald Tribune

COPENHAGEN — Centuries of trading in the Hanseatic League linked the Baltic states of Estonia, Latvia and Lithuania to Denmark, and now that the Baltic states are independent again, the Danes seek to reclaim their old links in the region.

All three Baltic republics have now signed trade cooperation pacts with the European Community and applications have been made for membership in the International Monetary Fund. Wasting no time, the Danish government financed the establishment in Copenhagen of a joint Baltic Information Office and pressed to secure the Baltic republics' representation in the Conference on Security and Cooperation in Europe.

Denmark followed up with a flurry of practical measures to support the emerging market economies in the Baltic states. There are nine Danish government programs, worth more than \$325 million annually to aid former Communist-bloc countries of Europe, with the bulk of the funds funneled to the Baltic states, Poland and the St. Petersburg region of Russia. The assistance includes a so-called democracy fund for reorganizing state institutions, environmental aid and special export credit guarantees, as well as contributions to Nordic, European and international aid plans.

The collapse of the Soviet Union has meant that the nations of the Baltic rim — the Scandinavian countries, the Baltic republics, Poland and western Russia — again see themselves as a region with common interests and aspirations. That has triggered a welter of joint cooperation, consulting activity and new regional organizations such as the Union of Baltic Cities and the Council of Baltic Sea States, a Danish-inspired 10-nation body for cooperation at top government level. And Copenhagen is the headquarters for the newly established Baltic Ports Organization, which links 34 ports in the region.

With privatization plans in the Baltic republics well under way, attractive foreign investment programs have been introduced in all three countries offering major financial incentives.

According to Danish Foreign Ministry figures, Denmark had 40 joint ventures and fully owned Danish enterprises in Latvia at the end of last year. Projects in Latvia include data processing, a sawmill, cigarette making and computer software. In Lithuania, Denmark is participating in development of a mobile telephone system, while nine of the year's new investment programs are in Poland. In Estonia, Denmark has 34 joint ventures, with an eye to using that country as a bridgehead to the Russian market.

Christopher Follett

After 'Yes' to EC, 3 Nordics Say 'Maybe'

By Michael Metcalfe

COPENHAGEN — After nearly a year's political and economic hiatus, the ratification of the Maastricht treaty the second time around by a clear majority of Danes was greeted with almost universal relief by business and industry in Denmark and the other Nordic countries. The vote, with 56.8 percent in favor and 43.2 percent against, removed an important hurdle to the process of enlarging the European Community with the inclusion of Austria, Finland, Norway and Sweden, all of which have applied to join by 1995.

The results of the referendum prompted an immediate pledge by Denmark's Social Democrat-led coalition government to proceed with moves to cut income taxes and interest rates to revive the domestic economy and create new jobs. The discount rate and other key lending rates were cut sharply, providing business an incentive to borrow funds and plow into fixed investments after almost 12 months of restraint.

But a number of key questions remain unresolved as far as EC membership of the other Nordic states is concerned. And, according to political analysts in the three nations, the prospects of Finland, Norway and Sweden's forming part of an enlarged community by the planned date of 1995 are uncertain.

In Sweden, although the government is focusing on harmonizing rules on inbound foreign investment with those of the EC by the 1995 deadline, political delays suggest that 1997 may prove a more likely target.

With ratification of the European Economic

Area Treaty by the 18 signatory countries held up pending EC-wide approval of the Maastricht treaty, serious doubts have arisen concerning the likelihood of the free trading bloc coming into effect by July 1, as Sweden and other prospective EC candidates had envisaged.

Even assuming that the treaty is ratified by all 18 nations by the end of 1993, and irrespective of the Swedish government's declared intention of joining the community by 1995, Sweden under the treaty's provisions still has until 1997 to harmonize policies governing inbound investment with EC norms.

In Finland, tough EC membership negotiations on regional and agricultural policy, combined with the center-right coalition's increasing unpopularity, make it far from certain that the electorate will endorse terms for membership by 1995. Undermined by deep economic recession, crippling bank losses, mounting public skepticism over the prospect of Finland's becoming a member of an enlarged community, as well as serious internal coalition differences, the four-party government faces a testing time before the next scheduled elections in March 1995.

The Finnish electorate, according to the latest opinion polls, is now more or less evenly divided about joining the community. The latest polls show only about 40 percent of eligible Finnish voters prepared to vote in favor of EC membership, while 38 percent are opposed and 21 percent are undecided. In earlier polls, the "yes" vote was said to be running as high as 60 percent.

In Norway, the domestic political situation is even more fraught with uncertainty. Norwegian public pressure against becoming part of the

community is as strong as ever and unlikely to abate. It is very doubtful whether a referendum set for 1995 will approve EC membership.

But some success in overcoming several of the obstacles to EC membership was achieved by the Labor government by the end of 1992. First, the Norwegian parliament ratified the European Economic Area accord, making Norway a member of the 18-nation free market stretching from the Arctic to the Mediterranean. And second, parliament endorsed a formal application to start EC membership negotiations, which are taking place in Brussels.

Although the minority Labor government will press on with its agenda, national elections in September will almost certainly produce a change of government.

Moreover, Norway's interests in maintaining control of its giant offshore energy resources has emerged as a major bone of contention in the EC negotiations. As two of the North Sea's top three oil and gas producers (together with Britain), Norway and Denmark have teamed up in a drive to stall a planned EC directive to boost competition in offshore exploration and drilling. The proposal would bar EC members from according home-based companies preferential treatment in the granting of drilling licenses and prospecting concessions.

Norway is extremely sensitive to any EC-related issues thought to impinge on its national sovereignty and regional powers. This attribute is shared by the Nordic nations and will continue to pose problems with the EC.

MICHAEL METCALFE is a journalist based in Denmark covering the Nordic region.

Swedish Area: We Know We Need Bridge

By David Bartal

STOCKHOLM — Businessmen and industrialists in southern Sweden are impatient for work on the bridge over the Oresund strait to start, now that the governments of both countries have officially made up their minds following three decades of sporadic negotiations.

That part of the country is in serious economic trouble, with unemployment riding at a painful 10 to 11 percent and "nothing at all" in the way of foreign investments.

The decision by the Danish and Swedish governments to build a bridge-tunnel between Copenhagen and Malmö, together with a lowering of Swedish corporate taxes, has already led some international firms to make plans to move to the Malmö-Lund region, according to Mr. Cavall-Bjorkman.

"I have many contacts with international companies in Europe and also Swedish companies who are interested in coming to this part of Sweden," he said. "The planned bridge is the main reason."

One sign of what is to come was the decision last year to move the headquarters of the international packaging group Tetra Pak from Lausanne, Switzerland, back to Lund.

The planned bridge over the strait is a key part of the process of integrating Scandinavia with the larger European market. But the removal of physical barriers by building bridges and tunnels is

only part of this process. Organizational barriers also have to be dismantled.

One border-breaking initiative that will enhance the economic benefits to Sweden of the Oresund bridge was the formation this month of Hansa Rail, an innovative joint venture between the Swedish state railroad, SJ, and its German counterpart.

The company, which will start operations in September, will handle all rail freight transports between Sweden and Germany, offering for the first time regularly scheduled trips for freight between major industrial centers in both countries.

Today, it takes about 12 hours by rail between southern Sweden and Germany, Sweden's main trading partner. This could be cut to two or three hours if and when the bridge over the Oresund is built, and if it is followed up with a tunnel over the Fehmarn strait linking Puttgarden, Germany, and Rodby, Denmark, according to Sigvard Christiansson, project leader for Hansa Rail in Sweden.

"We hope that we can almost double the [rail] traffic between the two countries within the scope of five to seven years," Mr. Christiansson added. "This new company [Hansa Rail], together with the bridge and the tunnel, would mean that we can offer very competitive transportation to and from Sweden."

It is also expected that establishing a direct physical link between Malmö and Copenhagen would allow an integrated Oresund region to reach its full, creative potential as an important center of research and knowledge.

Of course, not everyone in Sweden is applauding the construction of a bridge. The debate here centers upon two related issues: environment and financing.

"One of the big problems is that there will have to be a lot of dredging," says Görel Thaurin, head of planning in the Swedish Ministry of the Environment. "What will be the effect of this on the marine environment?"

Another question of concern to taxpayers is how the bridge will be paid for. Present calculations suggest that a traffic density of 10,000 vehicles per day will make the bridge self-financing. But critics are not convinced.

The debate over the bridge has raised fears in both countries that the government will, in the end, back down on its commitment. But Transportation Minister Mats Odell, responding to a question in parliament June 1, reaffirmed that "it is the Swedish government's ambition to push work with the Oresund bridge forward so that construction work can start this year."

DAVID BARTAL is a journalist based in Stockholm.

Scandinavia - Lektor Service

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\* Member of Scandinavian Business Dailies (SBD): Denmark: Børsen, Sweden: Dagens Industri, Norway: Dagens Nyheter, Finland: Kauppalehti.

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The report 'The Öresund Region - a Baltic Gateway' is the first study that describes the location factors in the region in depth and presents strategic business opportunities that can be put to advantage of companies planning to settle there.

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# Denmark and the Oresund

## Farmers See Fruit Of Labor Squeezed Is This the 'American Way'?

By Conrad de Aenlle

**R**INGSTED, Denmark — Farming is always a risky business, and it is especially so nowadays in the dairy and fruit-growing area near this town about an hour's drive southwest of Copenhagen. Imminent changes in the Danish tax code and a new accord on European agricultural subsidies mean an even more uncertain future for owners of the country's 75,000 farms.

The proposed changes in the tax code are expected to be enacted this summer, perhaps with some modifications after discussions with the Agricultural Council of Denmark, which are to begin soon. They would increase taxes on capital gains from farm sales, eliminate a tax credit for investment in new equipment and strike out a second provision that allows farmers to write off part of the value of stored grain.

For Ib van der Zee, who grows apples and cherries on 30 hectares, or 75 acres, just north of here, the proposals to eliminate the investment and storage credits by 1998 are especially upsetting.

"These are two bad things, because in the Danish fruit-growing business, you have good and bad years," he said. "When they take these away, you'll get [extreme] fluctuations in income."

Actually, these days it seems there few good years.

"It's awful growing fruit; we don't get back our production costs," Mr. van der Zee complained. "It's very bad at the moment. . . Land prices are very low and they're getting lower." The going rate, he said, is about 40,000 kroner per hectare, which works out to \$2,500 an acre.

A lot more of the land may be sold soon, contends Jacob Bagge Hansen, assistant director of the

Agricultural Council, who says, "We are on the brink of quite a few foreclosures."

As farming has become a more difficult undertaking, many have been forced out of it. The number of farms in Denmark has shrunk from 98,500 in 1982 to 74,900 in 1991, according to the council's figures. Mr. Hansen estimates that as recently as 1960, Denmark had 200,000 farms.

"You can feel the mood isn't good," Mr. van der Zee said. "Many farms are being sold. And now it's getting more and more difficult to sell your farm," thanks to new regulations and the government's tax plan.

Under the present system, said Johan Overgaard, assistant secretary to the agriculture minister, there is no capital gains tax on sales of farms held for more than seven years, so only speculators are taxed. Under the present proposal, 100 percent of the gain will be taxed on farms held less than three years.

The percentage that would be taxed falls as the holding period lengthens, until it bottoms out at 70 percent of the gain for farms held for nine years or longer.

Being able to sell a farm tax-free is critical to Danes because of high inheritance taxes. Farmers do not will their land to the next generation; they sell it.

But there have been a lot of next generations — seven of them — on the Ejlekaer family dairy farm near Ringsted, which went into business around 1780. Soren Ejlekaer Nielsen, who has run it since 1977, has taken advantage of the consolidation in Danish farming by nearly doubling his holdings to 115 hectares. He is worried, nevertheless.

Farmers are more indebted in Denmark than in many other countries, Mr. Nielsen said. The ratio of debt to farmers' assets rose from about 42 percent in 1981 to just over 55 percent 10 years later.

## Denmark's Agricultural Exports

	1972	1980	1989	1990	1991
Germany <sup>1</sup>	1,491	5,006	7,687	8,562	8,742
UK	3,714	6,804	7,629	7,177	7,276
Italy	1,381	2,963	3,919	3,741	3,618
France	348	1,206	2,402	2,812	3,156
Rest of EC	329	823	2,733	3,376	4,088
Monetary compensatory amounts	859	156	143	256	20
EC, total	8,132	16,758	24,518	25,924	26,905
Japan	346	823	4,726	3,624	4,333
USA	1,368	1,095	2,295	2,432	2,208
Other countries	2,178	6,094	10,270	9,958	10,090
EC Fund restitution	732	3,335	5,685	5,610	5,893
Total ag. exports, in millions of Danish kroner	12,556	28,105	47,494	47,548	49,426

<sup>1</sup>Before 1990 West Germany. EC includes Greece from 1981 and Spain and Portugal from 1986. Source: Danmarks Statistik

The average income of Danish farms is falling, as well. The average full-time farmer earned 135,000 kroner from agricultural work in 1991, down nearly 25 percent from 1989 and just about 5 percent more than farmers earned in 1985. The poor incomes are in spite of constant growth in the average acreage per farm.

Mr. Overgaard said portions of the proposed tax reform package would help to alleviate the rising debt burden. Farmers would be allowed, for instance, to write off paper losses incurred when refinancing loans at lower rates. The saving to farmers would be 1 billion kroner per year, he estimates.

**F**ARMERS not only have to contend with their government, but the one in Brussels, as well. The European Community accord last month on agricultural subsidies is expected to further reduce incomes. Support to Danish farmers, now about 20 billion kroner per year, will fall, agriculture officials say, and perhaps more important, less aid will come from price supports and more from direct payments.

"When you talk direct support, you also talk bureaucracy and paper work," Mr. Hansen said. Beyond that, he said, the new arrangement takes away the advantage that efficient farmers have over their rivals. That's especially critical in this business.

"You can only make money in agriculture if you're more efficient than your neighbor," Mr. Hansen said. "You can't control the price."

Farmers and their families represent no more than 5 to 8 percent of the country's population and account for just 5 percent of gross national product. Still, they are an important segment of the economy, for agriculture accounts for nearly a fourth of Danish exports and is responsible to a great extent for the country's persistent trade surplus. Indeed, Ministry of Agriculture officials note, Denmark is the only EC country to run a trade surplus with Japan.

Mr. Nielsen wonders whether the small percentage of Danes who farm will not keep getting smaller.

"The government is talking about help, but we don't believe it will help us that much," he remarked. "We're afraid we'll have to do it the hard way. Farmers will go broke."

"We call it the American way," he said. "First go the farmers, then go the banks, and then the government will have to do something. Exports will go down, unemployment will go up. It's the wrong way to go."

In spite of the bleak forecast, Mr. Nielsen still thinks there is a fair chance that his 3-year-old son, Johans, will keep the farm in the family for an eighth generation.

"Things change. Denmark has to export something; why not agriculture? It's one of the things we're best at. I think he can do it if he wants to, but maybe he'll be a banker or something else."

CONRAD DE AENLLE is a journalist based in Paris.

## Banks Trim Sails and Await Shift in Wind

International Herald Tribune

**C**OPENHAGEN — This is not likely to be a memorable year for Danish banks, but that's just as well after last year, which is one that bankers here would love to forget but can't. The country's four largest banks lost money, and one of them, Unibank, had the largest loss ever by a Danish lender: 4.7 billion kroner, or \$750 million.

The awful results in 1992 have forced banks to cut costs, mainly by eliminating staff, scaling back expansion plans and hoping that the trend toward lower interest rates continues. The stronger members of the industry are expected to return to profitability this year, although only modestly, while the weaklings should continue to show losses, but again, modest ones.

Bankers and analysts attribute last year's setbacks to several factors, including higher reserves against loan losses at home and abroad, high interest rates and the ailing Danish economy.

Bad loans are an especially big problem for Unibank, Denmark's second-largest lender set aside 6.3 billion kroner last year to cover bad or doubtful debts, up from 5.4 billion the year before and more than triple the figure from 1989. By comparison, bad-debt provisions by Den Danske Bank, the largest, rose just 2 percent last year to 2.9 billion kroner.

The difference reflects Den Danske's relative reticence to commit depositors' money to overseas projects.

"We are conservative in our lending approach and we consider matters quite thoroughly before lending," said Knud Sorensen, Den Danske's chief executive. "The quality of our assets is quite high. . . We have not scaled back abroad, but we are careful."

Unibank was less careful. While it did not show the best judgment in lending in Denmark, it was in foreign loans that it really erred. Exposure in Britain, where it lent substantial amounts to the London Docklands project, is an example.

last year, he said: "We were too heavily engaged in property lending in London and Copenhagen."

Denmark's banks have also labored under interest rates that arguably are the highest in Europe in real terms, that is, when the rate of inflation is subtracted from the nominal rate. After having raised rates in the mid-1980s to bring inflation from the economy, central bankers have been forced to keep them high by Germany's persistently high rates and by the initial "no" vote last year on the Treaty on European Union, which raised doubts in capital markets that the krona would remain in the European exchange-rate mechanism.

The period leading up to the second referendum, which was approved as expected, saw 10-year Danish rates fall by more than a percentage point and their spread over German rates narrow. The strong performance has come in spite of a clause in the Maastricht treaty that allows Denmark to opt out of European Monetary Union when it finally happens. That is because the government has said it will meet the conditions of EMU, at least for the time being.

"We are joining the second phase without reservation; there we are a full member," declared Erik Hoffmeyer, governor of the Danish National Bank, which regulates banks and sets monetary policy. But then it gets tricky. "We'll have to have a referendum on the third phase, the common currency. I'm not sure that such a referendum will turn out in a positive way."

**A**FTER the pounding the industry took last year, Danish lenders are cutting expenses and slimming the scope of their operations. A good example is Nykredit, one of Denmark's three big mortgage institutions and the four largest banks to record a profit in 1992. The secret, says Mogens Munk Rasmussen, Nykredit's chief executive, is to be cautious and think small.

"The difference between success and failure in the financial business is how to handle the risk profile," he advised.

"Unibank has lost over 1.5 billion kroner abroad; that's quite a lot of money for a bank like that," remarked Sasha Serafimovskiy, who follows Danish banks for Merrill Lynch. "The mistake they made was in not clamping down early enough."

Lars Eskesen, Unibank's deputy chief executive, does not dispute that assessment. Explaining what he termed "less favorable results"

er banks. He reckons the reduced costs should help operating profits increase 12 to 15 percent this year. Rosie Erskine of Barclays de Zoete Wedd also sees better days ahead. "We expect provisions to go down this year, and operating profits should improve greatly," she said. "The problems have not disappeared, but they have certainly bottomed out."

Conrad de Aenlle

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## Region Stakes Future on Disputed Link

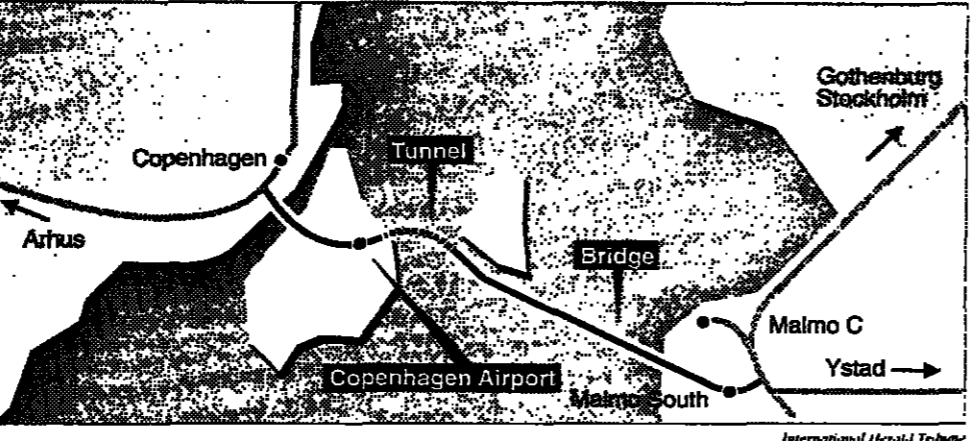
Michael Metcalfe

**C**OPENHAGEN — A \$6 billion road and rail project to link the Scandinavian peninsula with Continental Europe and spur growth in the region has run into serious snags. According to a number of politicians and specialists involved in the project, the nine-mile (14.5-kilometer) bridge-tunnel designed to bind Sweden and Denmark across the Oresund strait by the end of the decade has hit a series of political and environmental roadblocks that could force postponement until well into the next century.

The project is widely regarded as crucial to the development of the region into a competitive area that would attract commerce and industry and help move the region into the mainstream of European economic growth and prosperity.

But Danish and Swedish environmental groups recently seized on several new reports condemning the project in its present form to rekindle resistance against the bridge-tunnel.

The road-rail link was approved by both the Danish and Swedish parliaments in 1991. But with changes of government in both countries since that time, and with the inclusion in governing coalitions of political parties opposing the plan, pressure is mounting for other alternatives to be considered.



ered. These would include a submerged tunnel restricted to rail transport, at a far higher cost than the original plan.

Environment Minister Svend Auken of Denmark has fended off the criticism so far, stressing that he regards it as certain that the link will go ahead, allowing for a few minor alterations to take account of environmental factors.

Several recent and updated cost estimates for the entire project reveal a shortfall of about \$100 million a year in building the link, which is expected to take five years to complete. The Social Democrats, senior partner in the Danish majority coalition, want taxpayers to foot the extra bill, but this has been met with staunch

resistance from the other coalition parties and the parliamentary opposition.

Any ensuing delays would have wider repercussions for other infrastructure projects in the so-called Oresund Triangle, which contains Copenhagen and the Swedish towns of Malmo and Helsingborg on the southern Swedish coast via Gothenburg to the Norwegian capital of Oslo.

At risk would be parts of a 98 billion Swedish krona (\$13.5 billion) package of new infrastructure projects. All the projects will be subject to competitive tenders that conform to EC rules on open bidding, and several major Swedish companies and a number of French, German, Danish and Italian firms have already expressed an interest.

Norway will also be seriously affected by a delay in the Oresund link. In its 1993 budget, the government unveiled a 25 billion kroner (\$3.65 billion) plan to upgrade the nation's infrastructure, which will mark the second phase in overhauling Norway's roads and railroads to improve links with major trading partners to the south.

The Oresund link is also important in the sense that it forms just one of the three separate but interdependent bridge and tunnel projects, which will provide the Nordic countries fixed links to the European Continent via Denmark and Germany.

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# Mergers and Acquisitions

## Banking Industry Savors Taste of Consolidation Some Benefits Are Slow to Digest

By Conrad de Aenlle

**P**ARIS — The series of large, high-profile bank mergers that began around the start of last year has by most accounts gotten the banks what they wanted: more capital, more business, less expense and less competition. The consolidation is likely to continue, say bankers and those who follow the industry, especially in the present environment of economic stagnation and poor loan demand.

The U.S. mergers began with the December 1991 stock swap that united Chemical Banking with Manufacturers Hanover. Shortly after that, the regional banks NCNB and C&S/Sovran, which itself was the product of a merger, combined to form NationsBank Corp.

The acquisition of Security Pacific by BankAmerica in a stock swap in April last year boosted the California bank's assets to \$180 billion. But in this case, as in the Chemical alliance, bigger was not the objective. In one sense, they wanted to grow smaller, by closing branches and cutting staff.

The banks seem to be meeting their goals, by the reckoning of many observers, although not necessarily as quickly and smoothly as they had hoped.

"The jury is still out a little bit, but in recent years the mergers that have been announced have included efficiencies and cost savings as part of the plans," said Jim Schmidt, who manages the John Hancock Freedom Regional Bank Fund. "A lot of banks have realized a 20 percent to 30 percent reduction in noninterest expenses. But it has not always been easy. He cited two examples. Chemical and Comerica Inc., a medium-size bank headquartered in Detroit that bought Manufacturers National late in 1991.

good satisfaction with the results, although the assimilation is not complete. The area where they're still ironing out details is in the retail side. . . . It's something they want to do deliberately and not hurt their customer profile. Where they've done best is in the growth of corporate banking.

Chemical says in its 1992 annual report that its merger-related savings of \$280 million last year exceeded the bank's target of \$225 million and that "we continue to be confident of achieving total merger savings of \$750 million, of which \$525 million will be realized by the end of 1993."

Peter Tobin, Chemical's chief financial officer, said that while a couple of floods, of all things, slowed the integration of branches, the operation has actually proceeded without much difficulty, albeit a bit behind the original timetable.

"All branches are now integrated," Mr. Tobin said. "It's gone very, very smoothly. We really didn't lose much in the way of savings. Now we expect the closings of branches, now that the integration has been accomplished, to be completed by the first quarter of next year."

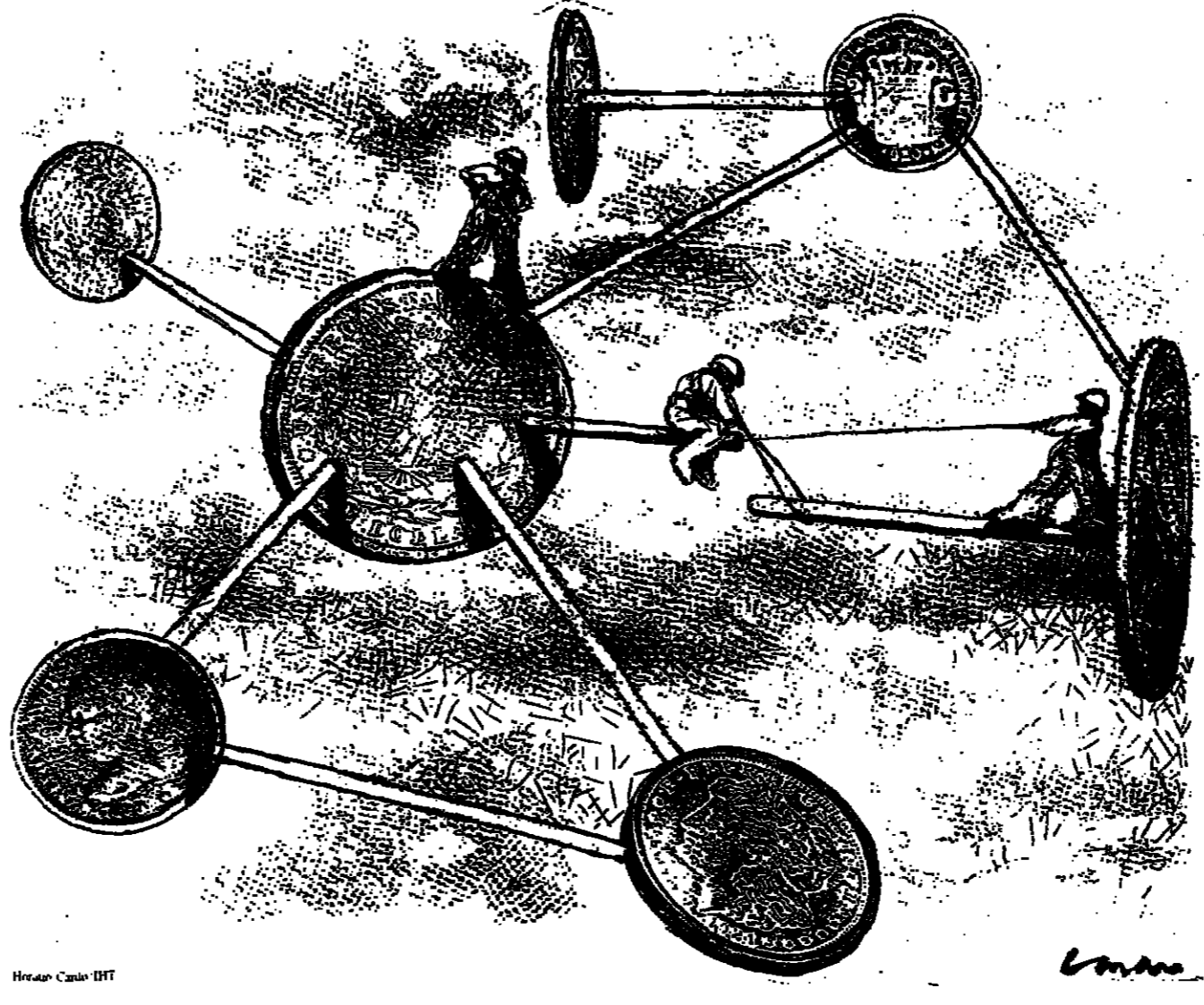
**W**HEN it's finished, the bank will have closed 80 branches, leaving about 450. In the process, 6,200 jobs will be lost far, all but 700 of the cuts have been made.

"We did a couple of things right," Mr. Tobin said, looking back on the mechanics of the merger. "One is we focused on the customer. . . . We wanted to avoid disrupting the customer as much as possible. We were operating two separate branch networks for a period because we couldn't give them the same service by merging them earlier."

Asked what he wishes had been done differently, he replied: "Some of the integrations could have been handled better. Planning work on any of these things needs to be well tested before the actual events are about to take place. You have to put an emphasis on control in these processes."

The merger that created NationsBank was, from the start, a different sort altogether from those of Chemical and BofA. The key there was growth, not cost cutting. When bank mergers are done for that reason, Mr. Schmidt said, "in many of them, there's no overlap geographically. . . . They don't

Continued on page 12



Heard Photo Staff

## Survivor of the '80s Surveys U.S. Scene

By Lawrence Malkin

**N**EW YORK — Brian Finn, a boyish numbers cruncher who started out on baseball statistics, is a footnote to history in "Barbarians at the Gate" and a satisfied survivor of the Great Merger Wars of the 1980s. The days of glory are gone, he says with a sigh of both remembrance and relief, "because what happened then really was a very small part of our lives; an absurd instant in a time that disappeared."

Mr. Finn came to First Boston Corp. 11 years ago as an analyst out of the University of Pennsylvania's Wharton School and now is the firm's co-head of mergers and acquisitions. Securities Data Co. ranks First Boston, with 137 deals worth \$39.2 billion, as first in 1992 M&A business in the United States, just ahead of its major rivals, Goldman, Sachs & Co. and Morgan Stanley Group. Like most investment banks, its deal portfolio is being fattened by the structural changes in telecommunications, banking and insurance, which are consolidating as their industries streamline and jump national or state borders.

A few hotshots have just been lured away by smaller firms for bigger salaries than First Boston is prepared to pay, as the new employers' hope they can make a big score on the front pages. But Mr. Finn and his M&A staff of about 100 are not concerned, because big knockout deals are probably not going to happen again soon.

Continued on page 12

## Europe Looks Again at the Art of the Deal

### Privatization Programs Offer Rare Opportunity As Activity Slows Down

By Jacques Neher

**P**ARIS — People do not like to get married under stormy skies, and neither do companies. Buffeted by the winds of economic recession, political discord, bribery scandals and a not-so-distant war, European companies have substantially cooled their ardor for mergers and acquisitions.

Experts now say that while there is still substantial need for European companies, particularly smaller ones, to engage in cross-border alliances in order to strengthen market access and protect competitive positions, the high level of M&A activity seen in the late 1980s is not likely to be repeated in the foreseeable future. Aside from Europe's privatization programs, which are expected to generate disposals of non-core assets before, or soon after, privatization, there is not much excitement in the M&A trade these days.

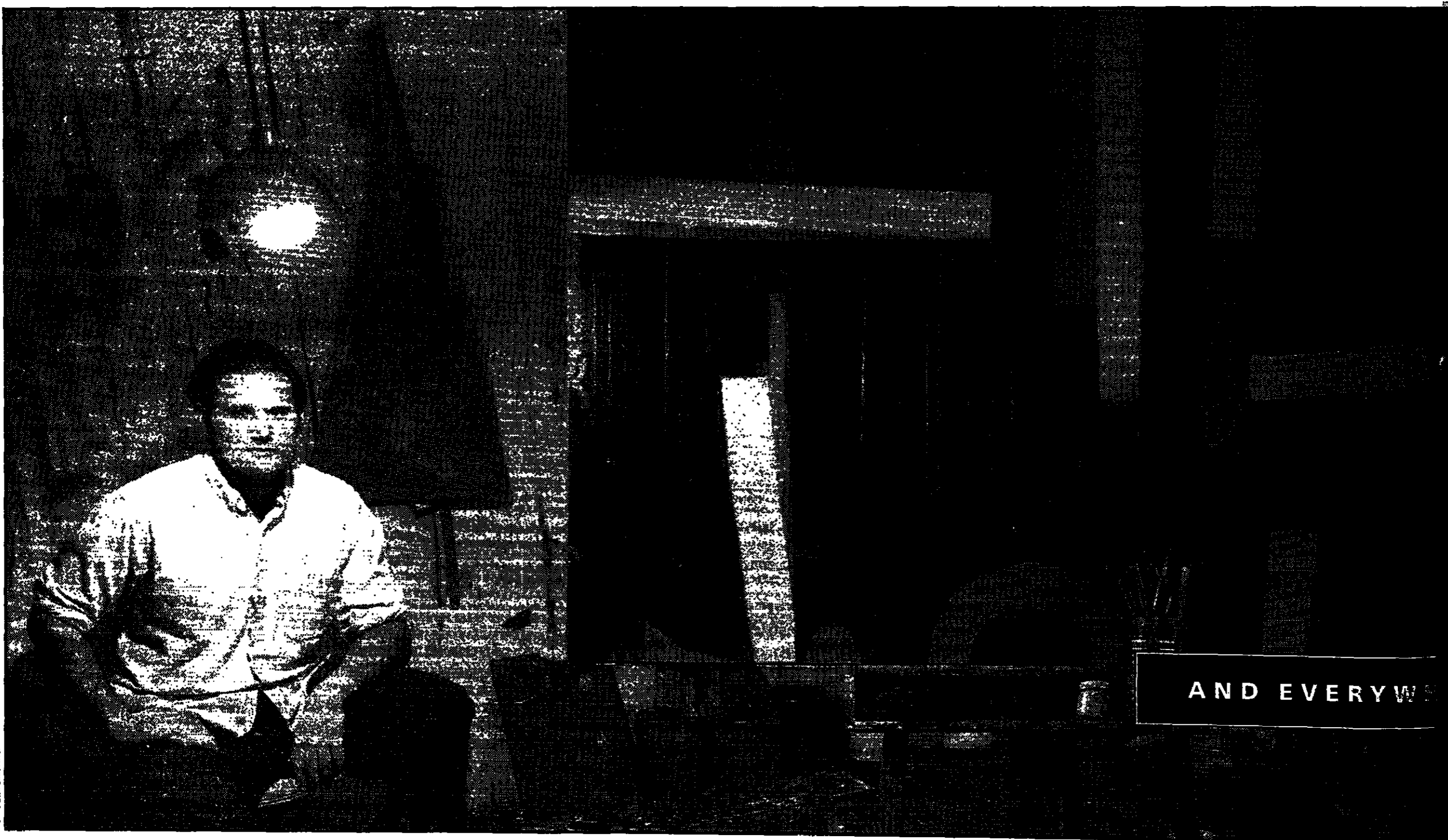
"The M&A market is going nowhere fast," said Andrew Blackman, assistant editor at Acquisitions Monthly, a British trade magazine. "There was an expectation that things would pick up in 1993, but it hasn't happened and the immediate outlook is fairly bleak."

Indeed, in the past four quarters, the amount of cross-border European M&A activity tracked by KPMG International in Amsterdam has fallen off dramatically. In the first half of 1992, there were 564 deals totaling \$27.3 billion in which control of a European company was transferred to a foreign party. In the next three quarters, there were a total of 711 deals totaling \$20.7 billion. That includes the first quarter of this year, when only 184 deals were tallied, for \$6.66 billion.

Headlining the cross-border activity in 1992 was the £3.7 billion (\$5.5 billion) purchase of Midland Bank by HSBC Holdings and the £2.7 billion merger in the publishing field between Elsevier of the Netherlands and Reed of Britain. The biggest deals so far this year are the \$1.5 billion purchase by Britain's Kingfisher of Darty, the French appliance retailer, and the \$1.3 billion purchase in the pharmaceuticals sector of Erbsarnot by Procordia of Sweden.

At the current rate, 1993's M&A activity could end up adding up to half that of 1992, and far from the heady peak of 1989, when

Continued on page 12



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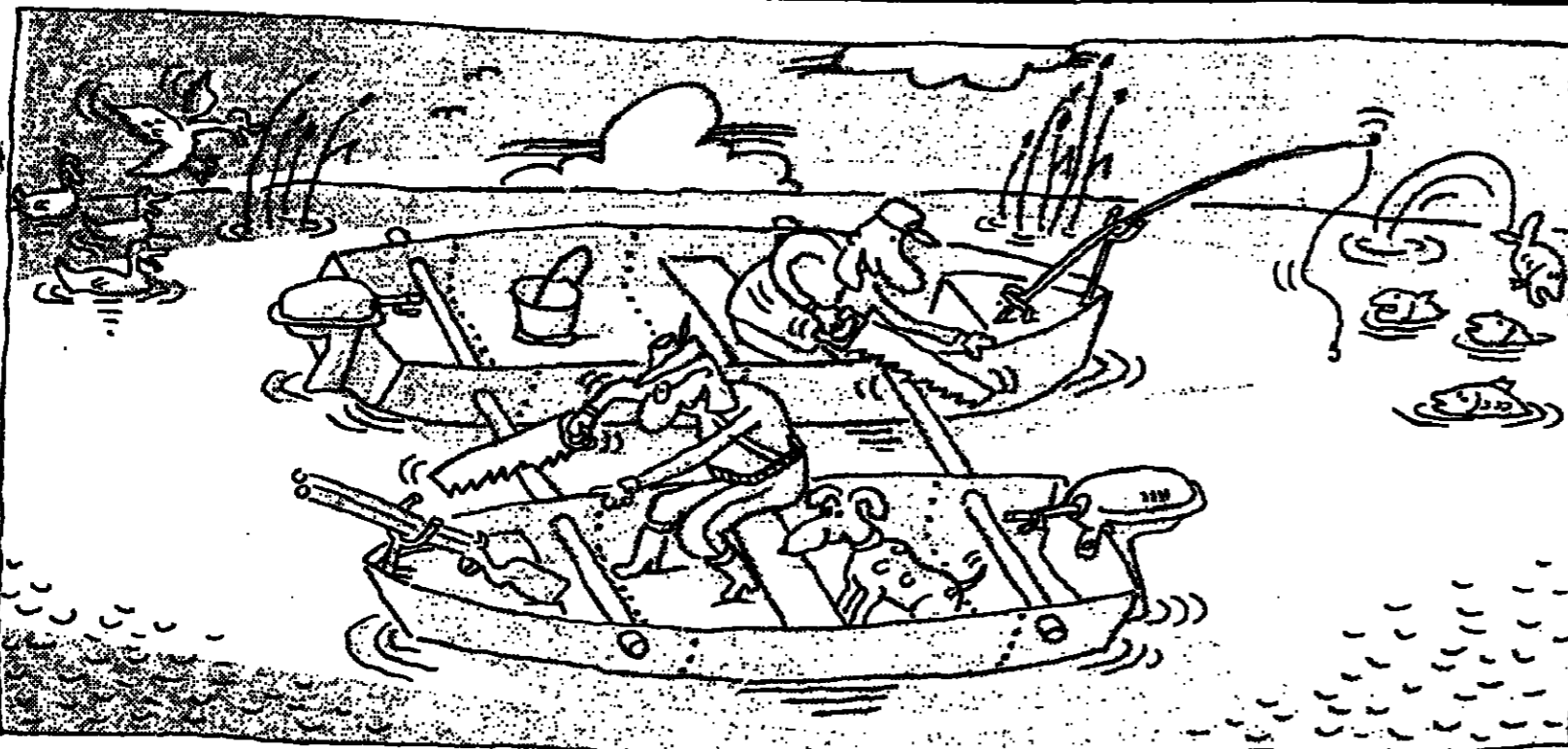
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Mergers and Acquisitions / A Special Report



Marriage, Fund-Industry Style Unions Are Complementary or Lopsided

By Philip Crawford

PARIS — The flurry of mergers in the fund industry over the past 12 months has raised a question that market analysts might have scoffed at just a few years ago: Is a contraction in the offering for a business whose growth has long seemed without bounds? The answer, say experts, is "yes," with qualifications. While analysts agree that the acquiring of comparatively small fund companies by larger ones is indeed an industry trend, they are quick to point out that consolidation can be the product of vastly different circumstances. There are, for example, consenting and complementary marriages in which two healthy firms specializing in different types of funds combine to create a powerful and diverse single unit. But consolidation also occurs when a weak company in a struggling market is taken over, sometimes hostilely, by a stronger competitor seeking simply to dominate.

Franklin's own family of funds has been primarily invested in U.S. fixed-income securities, making the Templeton family a natural complement, Mr. Eisman said. He also said that mergers should continue to increase as more companies seek "major player" status within the global fund industry. "A company with \$7 billion in assets is going nowhere unless it has a great niche," he said. "But because it's still profitable, there are lots of larger companies looking to buy."

Earlier this month, Alliance Capital Management, which manages an estimated \$66 billion for its clients in a variety of investment vehicles that include in-house mutual funds, agreed to purchase Shields Asset Management Inc. from Nervox Corp. Michael Feeley, who tracks Alliance for the New York brokerage Feeley & Wilcox, predicted "more and more combinations" of asset management companies.

"The biggest precedent for this sort of activity is United Asset Management Corp.," said Mr. Feeley. "Ten years ago they developed a holding company and set out to acquire independent asset management firms. People thought it wouldn't work. They've now got about 33 companies managing \$80 billion in total assets."

Today's climate consists chiefly of mutually beneficial mergers.

was a chance for us to add about \$630 million in assets and 50,000 shareholder accounts," said Steven Norwitz, a T. Rowe Price vice president. "We're always looking at these opportunities."

USF&G Corp. is not the only insurance company selling fund operations. In May, The Pioneer Group Inc., a Boston fund management concern, announced a \$23.5 million deal to buy the \$1.2 billion fund business of Mutual of Omaha Insurance Co. Upon completion, the acquisition will increase Pioneer's assets under management by 12 percent to about \$8 billion. "The Pioneer acquisition is also strategically motivated," said William McBride of Lipper Analytical Services Corp., which monitors the global fund industry. "Mutual of Omaha had a lot of variable annuity-type products which complement Pioneer's funds."

U.K. fund industry analysts say that consolidation is a trend there as well, noting the brisk merger activity that has taken place over the past year. In December, Henderson Administration Group PLC acquired Touche Remnant Holdings Ltd. from Société Générale for \$42.5 million (\$64.6 million), pushing Henderson into the upper echelon of British fund companies. Some analysts noted parallels with the Franklin Resources/Templeton deal.

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PHILIP CRAWFORD is a journalist based in Paris.

Corporate Downsizers Discover That Less Is More

By Courad de Aenlle

LONDON — When Imperial Chemical Industries PLC spun off its drug division, Zeneca, at the start of the month, it was the ultimate corporate downsizing. The industrial behemoth, with about \$20 billion in annual sales, essentially chopped itself in half, keeping its traditional chemical operations and leaving a new entity of equal size to live its own life and do its own business. The intention, say executives from ICI and Zeneca, was to create two companies that are better and more efficiently run than the original ICI. In the opinion of people who follow matters of industrial management, they may indeed do this. They note that Zeneca today bears little resemblance to the chemical company that spawned it. ICI is "like most traditional British companies; it has a very formalized management structure," said Stephen Montgomery, director for industry and commerce at University College London. "Pharmaceuticals is a young man's game. They've been inhibited in the way they do things." The de-merger will allow Zeneca's management to "make decisions without having to consult the fuddy-duddies."

One immediate result of the spinoff is an increase in share value, from 1,082 pence (\$16.45) on Feb. 24, the day before the plan was announced, to 1,317 on Thursday. That's how much a holder of an old ICI share would get from his shares in the two new businesses. Some observers say boosting valuations was the true aim of the de-merger — in the short run, anyway. The good reception the breakup has received among investors has allowed Zeneca to float a £1.3 billion, or \$2 billion, rights issue that will allow present Zeneca shareholders to buy additional

shares. The money will be used to repay debt to ICI. The idea of raising the company's stock price certainly crossed ICI's mind when it planned the de-merger. An announcement to shareholders outlining the proposal set out five reasons for cutting Zeneca loose. Some had a touchy-feely quality to them, such as to "serve as a catalyst for the release of creative management energies"; some were practical, such as to "reinforce continuing cost reduction and restructuring measures." The last on the list was to "release over time the benefit of shareholders."

Before he entered the picture, he said, ICI's brain trust had spent considerable energy "looking for the right management structure for the next century rather than the last century." When he did get involved, he studied several ways of doing that, and "when you went back to the fundamental analysis, it was very clear which of the alternatives came out miles ahead."

more specialized while still being big enough to benefit from economies of scale. The reason the break was so clean, he explained, is that the two new companies are fundamentally very different. Chemicals are a "low-value-to-weight product"; the business is capital intensive, plants have to be built near markets, and competitive advantages accrue to those who can run their operations most cheaply. Success in pharmaceuticals, which are high-value-to-weight products, comes to those with the brightest minds; research is critical, and a company does not need a lot of capital, and plants need not be erected near markets. Mr. Mayo said two companies with such distinct objectives can best be run distinctly, so that management can offer "clear objectives, different targets, instructions from the top that are more relevant to the business."

That's the idea, anyway. "The key of this problem is what makes a firm efficient," said Hugh Wills, an authority on industrial organization at the London School of Economics. "Will it be more efficient in combined form or separately? The major effect you have as a result of mergers or de-mergers is you change the incentive structure for senior corporate executives in such a way as to make them more focused and make the operation of the company more efficient. You're trying to move to a structure in which those incentives are better."

lington Northern Inc., Union Carbide Corp. and Sears, Roebuck & Co. have all spun off very large subsidiaries. Just last Tuesday, Eastman Kodak Co. announced that it would sell off its chemical business, which has annual sales of about \$4 billion, by the end of this year. The photograph concern said the divestiture will remove \$2 billion in debt from its balance sheet. As in ICI's spinoff of Zeneca, Kodak will end up holding no stake in the new chemical company, it said. De-mergers are "definitely an American export," Mr. Bok said. "Americans are definitely further ahead on breaking up conglomerates — focusing on the core business and disposing of everything else."

With de-mergers in vogue, corporate executives have come full circle from the acquisitive days of the 1970s and 1980s, when bigger was thought to be better. "I think it does go in cycles," Mr. Montgomery said. "Like most aspects of corporate activity, it's driven by economists and money men, not philosophical and scientific types."

Today's climate, experts say, consists chiefly of mutually beneficial mergers, particularly in the United States, where the fund industry is still growing. Some U.S. insurance concerns wishing to concentrate on their core businesses have also entered the picture, jettisoning their asset-management branches into the open arms of waiting fund companies.

And while much of the merger activity in the U.K. fund industry has also been complementary, the continuing recession has taken a toll. As a result, say analysts, some British mergers have been cases of the strong absorbing the weak. By all accounts, the merger of the year took place last fall, when Franklin Resources Inc. of San Mateo, California, acquired Templeton, Galbraith & Hansberger Ltd., the Bahamas-based parent of the Templeton fund family. When the deal was finalized in October, Franklin managed 71 funds containing about \$69 billion, while Templeton, with 78 funds, had around \$21 billion under management. The \$913 million merger created the largest publicly traded, independent mutual fund company in the United States. Analysts describe the two concerns as fitting together like pieces of a jigsaw puzzle. "Franklin wanted Templeton's exposure to international equities," said Steven Eisman, who tracks the fund industry for Oppenheimer & Co. in New York. "The deal was made for strategic reasons."



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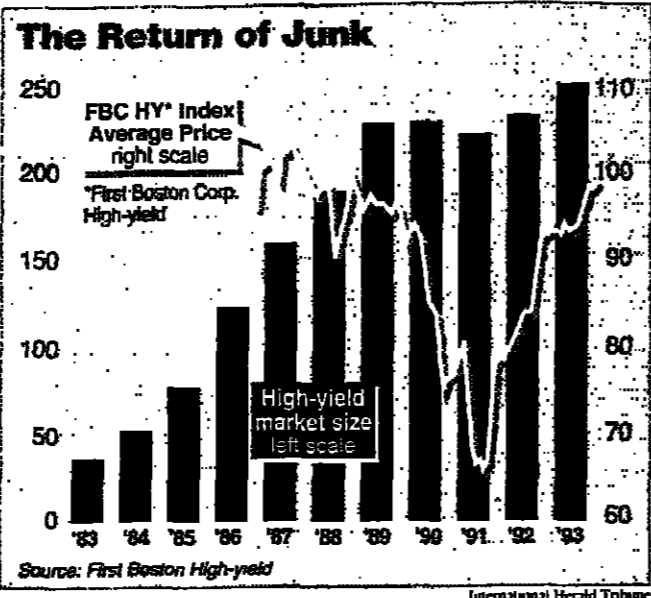
Junk Bonds Revive But Now the Market Is Older and Wiser

By Conrad de Aenlle

PARIS — The king is dead, or at least on parole and banished from the business. The junk bond market, however, has leaped back to life, after having recovered from the epidemic of scandal and insolvency that had taken it from a surefire way to put together deals in the 1980s to the symbol of greed and financial debauchery that the decade came to be known for.

There is no Michael Milken or other charismatic figure reigning over today's high-yield bond market, as it is euphemistically called, but businesses are again turning to junk to make mergers, takeovers and leveraged buyouts work. Only this time around, the deals are sounder and the dealers wiser, say people who follow the market.

The market has changed "dramatically," declared Robert Krichieff, director of high-yield research at First Boston Corp. "First of all, buyers of bonds are more critical of what new issues are coming to market. Companies that issue bonds are getting away from how things were done in the late '80s and back to the way it was in the early '80s."



There are fewer deals underwritten by one firm, as was the case before. That one firm was usually Drexel Burnham Lambert, where Mr. Milken did business — much of it illegal, as it turned out.

PARIS — Has Europe ended its shopping spree in the United States, or is it only taking advantage of the economic slowdown to catch its breath after its binge of the late '80s? Perhaps both, say mergers and acquisitions experts, who see lower levels of European investment in the United States in the short term, but plenty of reason for European companies to continue taking a high level of interest in establishing or bolstering operations in the American market over the long haul.

Europe Weighs 'Fortress North America'

By Jacques Neher

PARIS — Has Europe ended its shopping spree in the United States, or is it only taking advantage of the economic slowdown to catch its breath after its binge of the late '80s? Perhaps both, say mergers and acquisitions experts, who see lower levels of European investment in the United States in the short term, but plenty of reason for European companies to continue taking a high level of interest in establishing or bolstering operations in the American market over the long haul.

Among factors leading their optimism is the NAFTA free trade agreement, which is designed to eliminate trade barriers between the United States, Canada and Mexico. The creation of a North American trade bloc, they say, may generate fears among European companies of a "Fortress North America" just as American companies were afraid of a "Fortress Europe" in the years leading up to the launch of the European single market.

Continued from page 10 European companies reported 1,300 deals valued at more than \$47 billion. The principal cause of the slowdown, say the dealmakers, is the economy. While Britain appears to be coming out of its recession, much of the European continent, led by Germany, is in a crisis mode, as consumer demand, industrial investment, sales, profits and employment shrink.

sectors like insurance and telecommunications, having an establishment in one state will give them access to all states, with one language and one currency. There's nothing quite like it in Europe.

Pushed by the trend toward globalization of markets and the M&A frenzy in general, European investment in the United States peaked in 1988, with 676 deals valued at \$44 billion. Since then, the poor U.S. economy, and now, since the poor European economy, have kept the launch of the European single market, the poor U.S. economy, and now, since the poor European economy, have kept the launch of the European single market, the poor U.S. economy, and now, since the poor European economy, have kept the launch of the European single market.

EC Purchases in North America

Table with 3 columns: Year, Number of Deals, \$ value (billions). Data for 1988-1992.

Source: KPMG

International Herald Tribune

largely disappeared from the M&A market. The last significant industrial deal was in 1991, when Schneider SA acquired Square D following a hostile bid. The same year, insurers Mutuelle des Assurances Artisanales de France and Axa moved to acquire Executive Life Insurance Co. and The Equitable, respectively.

Nevertheless, Mr. Tordjman said French investors would ultimately return to the United States, citing an undervalued dollar and "our confidence in the future of the U.S. economy and the united North American market."

Scaled-Down Look at the Art of the Deal

Continued from page 10

unit is less of a priority than it may have seemed 18 months ago. Compounding the drop in confidence has been increasing discord among the European Community members on a range of important issues, from farm policy and the GATT trade negotiations to the war in former Yugoslavia.

While British investors were the biggest players in the M&A game in the late '80s, the French were not far behind, with Saint Gobain, Rhone-Poulenc and Pechiney pouring billions into U.S. acquisitions. However, while the British are still buying, the French have

Cross-Border Sales of EC Companies

Table with 3 columns: Year, Number of Deals, \$ value (billions). Data for 1988-1993.

Source: KPMG

International Herald Tribune

their heads down. From the outside, foreign companies interested in Italian acquisitions have to consider whether the target company's earnings depended on kickbacks, or to what degree its contracts were "won" as a result of bribes paid to politicians.

JACQUES NEHER is a journalist based in Paris.

Banks Savor the Taste of Consolidation

Continued from page 10

land Bank PLC by HSBC Holdings, parent of Hongkong & Shanghai Bank, which is even larger. The new institution had assets of \$259 billion at the end of 1992. HSBC's return on equity rose last year from 13.57 percent to 25.34 percent, as earnings per share more than doubled. That's quite an achievement, considering it took over a not-so-great bank in a not-so-great market.

A number of mergers in Continental Europe, notably in Spain, have been motivated by a desire to cut costs. "There was huge overcapacity in the Spanish market, as in almost any European country," explained Rosie Erskine, who follows European banks for Barclays de Zoete Wedd. "Huge rationalization can still be done."

Survivor of the '80s Survives U.S. Scene

Continued from page 10

computer screen of stock properties and surrounded by piles of company reports, industry documents and stock prospectuses, including one to spin off the food properties of RJR Nabisco Inc. into a company separate from its selling tobacco franchises, a deal for which Mr. Finn's firm is serving as adviser, for a \$5 million fee, and underwriter.

That's where people like Mr. Finn come in. In the current climate of slow growth and uncertainty about the regulatory, health care and other major policies of the new administration, "people are reluctant to make big bets," he said.

When there are industries with too many companies, combine them. For example, John F. Welch, Jr., of General Electric Co., whose company prospered during the 1980s by concentrating on its strengths rather than conglomerating to spread them, does not want his divisions to be anything but first or second in any of their businesses.

GERMANY

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Advertisement for CURRENCY RAI, featuring a large graphic of a globe and text about currency exchange services.



# BUSINESS

International Herald Tribune, Monday, June 21, 1993

Page 13

## CAPITAL MARKETS

### Turmoil in Japan Means A Bull Market in Bonds

By Carl Gewirtz  
International Herald Tribune

PARIS—The political upset in Japan will have far-reaching effects on world financial markets. It frees the dollar to stage its long-predicted and much-postponed global advance. In turn, this facilitates the decoupling of European interest rates from German levels.

"The dollar's renewed strength will enhance the attractiveness of dollar-denominated assets," says John Lipsky at Salomon Brothers in New York.

And with Germany's allies expected to exploit the Deutsche mark's weakness to lower interest rates in the rest of Europe, "the international bull market in bonds is back," declares Christopher Potts at Banque Indosuez in Paris.

David Hale, Chicago-based analyst at Kemper Financial Services, said the political upheaval in Tokyo was "increasing the political risk premium attached to Japanese assets."

**The dollar is rising and European rates are decoupling from German levels.**

He expects the yen to drop back to a trading range of 110 to 115 per dollar and stock prices to fall between 5 and 10 percent. The yen's weakness, he adds, "eliminates any possibility of the Bank of Japan reducing short-term interest rates this summer."

He said that Japan "is in the midst of a transformation as potentially far-reaching as the one now occurring in Italy. While the political upheavals will not transform the economic system overnight, they have opened the door to far-reaching structural changes which could ultimately satisfy many of Japan's foreign critics."

Mark Cliffe at Nomura Research in London views the prospect of an economic rebound delayed by the politicians temporarily powerless and the bureaucrats stalemated by infighting.

Failure to respond to U.S. pressure for action on trade "suggests that the yen may go higher still," he says. But yen strength could prompt a crisis of confidence in Japan and a setback in the stock market leading to capital flight that might drive the yen back down.

In Europe, analysts are confident that more cuts in short-term rates will buoy bond prices. But there are already doubts about how far the contraction against Germany can go.

A Frankfurt analyst cited remarks last week by Philippe Séguin, president of France's National Assembly, who argues that exchange-rate stability, control of public deficits and freedom of trade should be secondary to the fight against unemployment.

"Such an approach does not fit in easily with the previously propagated policy of a firm franc, intended to replace the Deutsche mark as the anchor currency of the European Monetary System," the analyst said.

Mr. Potts of Indosuez considers that there is a likelihood of an overshooting in France, which would drive yields on 10-year government bonds, currently 15 basis points over German levels, to as much as 10 basis points below German levels.

But, he concludes, "There is no candidate to take over the DM's role as Europe's reference currency. In the long run, a negative 10-year spread is not sustainable."

## U.S. Aims to Inject Life Into G-7

By Tom Redburn  
International Herald Tribune

WASHINGTON—Amid widespread fears that political upheavals in Japan could lead to paralysis at next month's Tokyo gathering of the leaders of the seven largest industrial democracies, the Clinton administration is seeking to breathe new life into the stultified Group of Seven summit process.

"There is obviously nothing that can be done about this G-7 summit," Robert E. Rubin, head of the White House's National Economic Council, said in an interview. "But looking down the road, there is clearly a need for a rethinking of how a summit takes place."

President Bill Clinton's goals for the G-7—designed to help coordinate the economic and diplomatic policies of the major market-driven industrial powers—run on two somewhat contradictory tracks.

On one side, the White House would like to use the combined political clout of the summit leaders to strengthen the ability of the West to aid Russia, diplomats say. With the support of Bonn, for example, Washington

wants to establish a special G-7 office in Moscow to help Russia and other republics of the former Soviet Union cut through the bureaucratic maze of the International Monetary Fund. Both France and Britain currently oppose the idea.

On the other, the Clinton administration, again backed by Germany but also by France, believes the G-7 has itself become too rigid, with its own byzantine rituals involving endless meetings of "sheepies" to prepare the annual agenda and write in advance most of the communiqué issued at the end of each summit. As a result, Washington is against proposals to establish a G-7 secretariat, fearing that it would make the summit process even more bureaucratic than it already is.

"The G-7 meetings have become too formalistic," Mr. Rubin said. "We would like to see more actually happen there."

Mr. Rubin, 54, knows something about the ability of bureaucrats to smother new ideas. After a highly successful career on Wall Street, he was brought to the White House by President Clinton to try to bring the same

cooperation and discipline to the making of economic policy that the National Security Council is supposed to provide in defense and foreign affairs.

"Our model," Mr. Rubin said, "is the NSC under Brent Scowcroft," who was national security adviser for George Bush. "He acted as an honest broker efficiently to integrate and coordinate policy across agency lines. On top of that, he also was able separately to express his own views."

With the National Economic Council still new, the White House clearly got off to a rocky start.

Mr. Clinton's initial economic stimulus package was killed by a Republican filibuster in the Senate. Meanwhile, other countries were baffled by the contradictory early signals from the administration on international trade policy as a number of different officials jockeyed for influence.

Mr. Rubin acknowledged there were early misfires. "In all fairness, we lost the war to define our own message" about the character of the White House's complex economic

See G-7, Page 15

## EC Leaders Lack Means to Treat Sick Economies

By Tom Buerkle  
International Herald Tribune

COPENHAGEN—Europe's sick economy is in desperate need of some radical therapy, but European Community leaders appear unable to offer anything more than words of comfort.

The 12 heads of government will devote the biggest part of their semiannual summit meeting here Monday and Tuesday to efforts to stimulate growth and employment. But in spite of a deepening recession that is already the worst in nearly a generation, officials have been acknowledging for weeks that they lack the money and the political capital to propose any immediate relief.

What's more, the centerpiece of the meeting—a personal appeal by EC Commission President Jacques Delors for a long-term effort to restore jobs and competitiveness in Europe—has already been criticized by a growing number of European industrialists as too little, too late.

"Everyone will have work to do to make it not appear as a big failure," one Brussels diplomat said of the summit meeting.

One of the meeting's few tangible results will be a politically important EC opening to Eastern Europe. Officials in recent weeks have reached agreement on most details of a commission plan to accelerate the opening of the EC market to goods from the East and to set up new intergovernmental contacts with the aim of eventual membership for Poland, Hungary, the Czech and Slovak republics, Romania and Bulgaria.

The leaders will not offer a time-

table for membership and still need to resolve French concerns about the exact criteria for membership, which broadly involve economic and political reform.

Officials have been playing down expectations of the meeting for weeks even as the economic crisis in Europe has become more and more ominous. Reducing unemployment "is not a goal which can be realized here and now," the meeting's host, Prime Minister Poul Nyrup Rasmussen of Denmark, said Sunday.

The commission last week proposed See RELIEF, Page 15

## Kuwait Sets 35% Rise In Output

Compiled by Our Staff From Dispatches

KUWAIT—Kuwait risked OPEC's wrath by announcing Sunday an increase in oil production by 35 percent over the next three months.

Rejecting quotas set earlier this month by the Organization for Petroleum Exporting Countries, Oil Minister Ali Ahmed al-Baghdadi said Kuwait would raise output gradually to 2.16 million barrels per day by September from current production of 1.6 million.

He added that Kuwait had decided not to raise its production to the maximum level immediately "despite its capacity to do so" in order to avoid upsetting the world oil market. As a result, production will rise to 1.9 million barrels in July and 2 million in August before reaching the September level of 2.16 million.

"We expect the price of oil will witness an improvement during this quarter if other OPEC member countries abide by their quotas without excesses," he said.

At the recent OPEC conference in Geneva, Kuwait rejected a 10 percent quota increase that would have allowed it a level of 1.76 million barrels. It said it was justified in raising its production further because OPEC reneged on a promise to allow Kuwait a rise of 25 percent in the third quarter.

The emirate said it was a special case because its oil fields are still recovering from Gulf War damage. (Reuters, AFP)

■ \$2.3 Billion Deal

Kuwait signed a memorandum of understanding with Union Carbide Corp. on Saturday for construction of a \$2.3 billion petrochemical complex that is expected to be completed by 1997, Reuters reported from Kuwait.

## Aviation Keeps Its Optimism Up Front

By Barry James  
International Herald Tribune

PARIS—The only things certain in the aerospace trade, according to Jean Pierson, the head of Airbus Industrie, are that "business will go up and down, and there will always be air shows."

The 40th Paris air show wound up on Sunday with business in its deepest trough since World War II, but with its optimism still largely intact that the good times will roll round again.

Both Mr. Pierson and Phil Condit, the No. 2 at Boeing Co., said that the business cycle will again be on an upward curve when the next Paris show takes place two years from now.

Their prediction appeared to be based more on the certainty that aircraft wear out and will need to be replaced, and on the likelihood of rapid growth in the Asian market, than on any confidence that airlines in the United States and Europe will have emerged from their catastrophic losses by then.

The Paris show confirmed a trend that has become increasingly apparent in the past couple of years: The cost, size and complexity of major aerospace projects will lead to increasing international and, indeed, intercontinental cooperation.

Even Boeing and Airbus have pooled resources to study the feasibility of jointly building a huge jet airliner capable of carrying more than 600 passengers. With a market for no more than 400 to 500 aircraft, analysts say that it would

be economically impossible for either Airbus or Boeing to build a superjumbo on its own.

Boeing claims that Airbus is unfairly subsidized by European governments, while Airbus alleges that its American rivals are propped up with handouts from the U.S. defense budget.

The rivalry obscures the fact that Boeing is not as all-American, nor is Airbus as European as politicians make them out to be. Companies in 35 American states provide 20 to 40 percent of the content of Airbus aircraft, including key elements in their fly-by-wire computer systems. Over 30 percent of the Boeing 767 airframe is built outside the United States, and less than 35 percent of the McDonnell Douglas

MD-80 airliner is built in the United States.

If a superjumbo ever goes into production, it will probably be powered by the mammoth GE-90 jet engine, which is being jointly developed by General Electric in the United States and Snecma of France. The GE-90 is the first engine to have passed the threshold of 100,000 pounds thrust, an equivalent power to six of France's TGV express trains.

In an even broader cooperation, GE, Snecma, Pratt & Whitney and MTU are pooling their forces to build an engine for the future European transport aircraft and quiet new regional jets.

The cost and complexity of design See SHOW, Page 15

## San Francisco Notebook

### Bloom Is Coming Back on Golden State's Rose

It's summer, and that means one thing in California: The budget wars are about to begin. There is talk of higher taxes, more layoffs, less money for the poor and fewer schoolteachers. Last year, a legislative impasse forced state officials to issue IOUs instead of paychecks, torpedoing California's bond rating and prompting some to smirch about the tarnished Golden State. This year, the problems are worse. In addition to an \$8 billion budget gap, there is the threat of military base closures, wiping out as many as 125,000 jobs over the next four years. Enter Peter Lynch. The man who some call America's premier stock picker says California is about to turn the corner. In fact, compared to Europe or even New England, Mr. Lynch says, California could be doing a lot worse. "I think the same thing that happened in New England is going to happen in California," says Mr. Lynch, who until 1990 ran Fidelity's Magellan, America's largest stock fund with \$26 billion in assets.

In California, as in Massachusetts, where Mr. Lynch resides, "we've seen a bottoming of commercial real estate. Things haven't picked up yet, the jobs are

still declining, but psychology has changed from, 'Awful, terrible,' to 'Maybe the worst is over.'" Mr. Lynch predicts California will begin to see improvement in areas such as job growth, business profits and tax revenues by 1994.

Mr. Lynch delights in backing the herd, and his take on California is typically contrarian. The recession has hit hard at California's housing market, for example, but Mr. Lynch sees reason for optimism, noting that record low interest rates have prompted a wave of refinancings. In the past two-and-a-half years alone, he says, Americans have refinanced more than \$1 trillion in home mortgages, with a further \$500 million predicted for 1993.

The result, Mr. Lynch says, is more money flowing into the economy—good news for just about everybody.

Left Lane for Smarts

If there's something Californians do know something about, it's highways. A high-tech consortium is taking the concept to a new level by trying to build the nation's first information superhighway. Planners hope to link businesses, schools, medical and research labs throughout California as early as 1994.

Called Smart Valley, the consortium includes Pacific Bell, the San Francisco-based telephone company that serves California and Nevada, and a number of high-tech pioneers, such as Apple Computer, Hewlett-Packard Co. and Silicon Graphics, many of which already maintain elaborate electronic networks to keep in touch with vendors and clients.

Pacific Bell proposes to upgrade or install fiber optics lines to carry data at speeds up to 1000 times as fast as those now available (meaning you could download the entire contents of the Encyclopedia Britannica in less than a second).

Like the first freeway, the superhighway would be a model of ease and speed. A doctor in Palo Alto, for example, could make a "virtual house call" on a nursing home 60 miles (97 kilometers) away in Oakland, examining patients by video-phone, calling up medical records and reviewing a tape of last week's "visit."

As is true of most things in California,

Smart Valley isn't cheap. PacBell is spending \$650 million over the next five years on fiber optics and other electronic infrastructure.

### That Shrinking Pacific

While there are no traffic jams at San Francisco International Airport, things are definitely getting busier. Last week, China Air increased service between San Francisco and Taipei from three flights a week to five. EVA Air of Taiwan will launch service three times a week from San Francisco to Taipei in September. Since April, KLM, Finnair and Delta have launched direct flights to Amsterdam, Helsinki and Frankfurt, respectively.

The moves by EVA and China Air point to Taipei's growing emergence as a Pacific hub. "Taiwan is going through a \$300 billion, six-year reindustrialization plan, and it's probably going to be more than that later," says James Fang, director of commerce and trade for the City of San Francisco.

Beatrice Motamedi

### THE TRIB INDEX

International Herald Tribune World Stock Index, composed of 250 internationally investable stocks from 20 countries, compiled by Bloomberg Business News. Week ending June 18, daily closings. Jan. 1992 = 100.

World Index	Asia/Pacific	Europe	North America
110	124	104	104
108	122	102	102
107	121	101	101
106	120	100	100
105	119	99	99
104	118	98	98
103	117	97	97
102	116	96	96
101	115	95	95
100	114	94	94

Industrial Sectors/Weekend close	6/18/93	6/17/93	% change
Energy	102.82	103.55	-0.90
Utilities	108.11	111.43	-2.98
Finance	106.20	111.42	-4.88
Services	105.92	112.96	-6.89
Capital Goods	99.57	102.34	-2.71
New Materials	99.74	103.42	-3.56
Consumer Goods	96.83	98.97	-2.41
Miscellaneous	101.82	104.04	-2.04

The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

### CURRENCY RATES

June 18

Cross Rates	U.S.	DM	Yen	Swiss	Other
Australia	1.48	1.23	1.03	1.00	1.00
Canada	1.34	1.15	0.95	0.95	0.95
France	1.66	1.36	1.12	1.12	1.12
Germany	1.66	1.36	1.12	1.12	1.12
Italy	1.93	1.60	1.31	1.31	1.31
Japan	1.00	0.84	0.70	0.70	0.70
UK	0.75	0.64	0.53	0.53	0.53
Spain	1.66	1.36	1.12	1.12	1.12
Sweden	1.34	1.15	0.95	0.95	0.95
Switzerland	1.48	1.23	1.03	1.00	1.00
Taiwan	1.66	1.36	1.12	1.12	1.12
Thailand	1.66	1.36	1.12	1.12	1.12
US Dollar	1.00	0.84	0.70	0.70	0.70
Yen	1.00	0.84	0.70	0.70	0.70

Other Dollar Values

Currency	Per \$	Currency	Per \$	Currency	Per \$
Australian	0.68	British	0.75	Canadian	0.74
French	0.60	German	0.60	Italian	0.52
Japanese	1.41	Spanish	0.60	Swedish	0.84
Swiss	1.41	Thai	0.53	Taiwanese	0.60
US Dollar	1.00	Yen	1.36	Other	0.70

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Australian	1.48	1.48	1.48	British	0.75	0.75	0.75
Canadian	1.34	1.34	1.34	French	1.66	1.66	1.66
Japanese	1.00	1.00	1.00	Swiss	1.48	1.48	1.48

### BusinessWeek

This week's topics:

- The Top 200 R&D Companies in The World
- U.S. Cable Networks Flooding Into Europe
- The Bundesbank Isn't Blinking
- VW's Production Czar Wants Leaner Suppliers
- Here Come Those Travel-Loving Taiwanese

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Mr. van Wachem is presently Chairman of the Supervisory Board of the Royal Dutch/Shell Group of Companies and prior thereto was President of Royal Dutch Petroleum Company and Chairman of the Committee of Managing Directors of the Royal Dutch/Shell Group.

He is a member of the Boards of Directors of IBM Corporation and of Credit Suisse Holding, a member of the Supervisory Boards of AKZO N.V. and of Philips Electronics N.V., and a member of the Board of External Advisors of Moret Emis & Young.

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WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Securities, London, Tel: 01 323 11 30. Prices may vary according to market conditions and other factors.

Dollar Straights

Issuer Con Mat Price Yld Bid

Governments/Supranationals

Table of bond prices for governments and supranationals, including issuers like Austria, Belgium, Canada, etc.

Table of bond prices for governments and supranationals, continuing from the previous section.

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Table of bond prices for governments and supranationals, continuing from the previous section.

Banks & Finance

Table of bond prices for banks and finance, including issuers like Abbey Natl, Abn-Amro, etc.

Global Corporates

Table of bond prices for global corporates, including issuers like ABB, ABB Ltd, etc.

Dollar Zeros

Table of bond prices for dollar zeros, including issuers like Abn-Amro, etc.

Floating Rate Notes

Table of bond prices for floating rate notes, including issuers like ABB, etc.

Canadian Dollars

Table of bond prices for Canadian dollars, including issuers like ABB, etc.

Deutsche Marks

Table of bond prices for Deutsche marks, including issuers like ABB, etc.

Ecus

Table of bond prices for Ecus, including issuers like ABB, etc.

Yen

Table of bond prices for Yen, including issuers like ABB, etc.

Dollars

Table of bond prices for dollars, including issuers like ABB, etc.

Pounds

Table of bond prices for pounds, including issuers like ABB, etc.

MUTUAL FUNDS

Figures as of close of trading Friday, June 18.

Large table of mutual fund prices, including columns for fund names, shares, and prices.

Continued on Page 15



New International Bond Issues

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price and week, Terms. Includes Floating Rate Notes and Fixed-Coupons sections.

Dollar Loosens German Rate Grip

By Carl Gewirtz
International Herald Tribune
PARIS — The corset Germany had long imposed on European interest rates burst last week, some analysts say.

It was an event waiting to happen due to the domestic economic problems in Germany. But in fact it was an accident in Tokyo strengthening the dollar that under the Deutsche mark and cleared the way for further rate cuts in Europe.

The events in Tokyo liberated the dollar, which had been straining to advance in Europe but been held back by its weakness in Asia. The dollar soared 1.3 percent Friday against the Deutsche mark to a high of 1.6860 DM.

The German currency weakened across the board to a 30-month low within the European currency grid. Most significant was its fall against the French franc. Earlier in the week, France had reduced its money-market rate by a quarter of a point to 7.25 percent while German rates were unchanged at 7.6 percent.

The franc ended trading at 3.3608 per mark, a totally unexpected gain, prompting Andrew Drobny of Credit Suisse First Boston to proclaim: "The model in Europe is changing. German interest rates don't matter. The way is clear for the French to go on lowering rates."

This does not mean that the Deutsche mark is no longer the so-called anchor currency of the exchange rate mechanism. Otherwise, France would be free to drop money market rates to nearly 5 percent on the basis of its low inflation rate.

"Think of the mark as a pacesetter rather than an anchor," advises Jonathan Hoffman at Credit Suisse First Boston. "The pacesetter can drop back during a race, but it always stays with the pack."

Nevertheless the situation exposes the Bundesbank to embarrassment. The Germans have made no secret of their concern about maintaining confidence in the mark to prevent a big capital outflow and to encourage further financing of the huge, rising public deficit.

Jonathan Wilmut at Credit Suisse First Boston in London argues that the Bundesbank's resistance to deprecating its currency is correct. "A depreciation is no way to solve the problem, Germany, and the rest of Europe need lower interest rates," he insists, adding that France and others can run ahead of the Germans only "up to a point."

The Week Ahead: World Economic Calendar, June 21 - 25

A schedule of the week's economic and financial events, compiled for the International Herald Tribune by Economics Business News.
Asia-Pacific
June 21 Sydney: Tony Fisher, managing director of PricewaterhouseCoopers, says the Australian economy is recovering from a recession.
June 22 Hong Kong: Consumer price index for May.
June 23 Tokyo: GATT trade talks between United States, European Community, Japan and Canada.



RELIEF: Words of Comfort Alone Won't Heal Europe's Sick Economy

Continued from Page 13
jected that EC output would decline by 0.5 percent this year, the worst performance since 1975. With the prospect of only a weak recovery next year at best, unemployment is expected to soar to a postwar record of 12 percent, or nearly 20 million people, compared with 10.4 percent now.

G-7: Clinton Aims to Enliven Ritualistic G-7 Meetings

Continued from Page 13
package, he said. "But some of that is now coming back to us."
As the Clinton administration prepares for its first G-7 summit meeting, its goals are relatively limited.

SHOW: Keeping Up the Optimism

Continued from Page 13
veloping military projects for warplanes is forcing European countries toward more extensive cooperation. France's Rafale and Sweden's JAS 39 Gripen are probably the last major warplane projects that any country, outside the United States and Russia, will embark upon alone.

MUTUAL FUNDS

Table with columns: Fund Name, Bid, Ask, Bid, Ask. Lists various mutual funds and their current market prices.

Last Week's Markets

Table with columns: Index Name, June 18, June 11, Change. Shows market performance for various indices like DJ Industrials, S & P 500, etc.

ARGENTINA DESARROLLO CIENTIFICO Y TECNOLÓGICO DEL PAÍS

INTERNATIONAL PUBLIC BIDDING
LOT 1: Laboratory equipment (e.g., pumps, cryogenics, ovens, milling machine, lab grinders, reactors, experimental robots, etc.)
LOT 2: Laboratory equipment (e.g., balances, baths, centrifuges, computers, electronic data handlers, microcomputers, etc.)

Euromarkets At a Glance

Table with columns: Instrument, Bid, Offer, Bid, Offer. Lists various financial instruments like Eurobonds, Eurodollars, etc.

LIBOR Rates

Table with columns: Country, Term, Rate. Shows London Interbank Offered Rates for various currencies and terms.



MUTUAL FUNDS

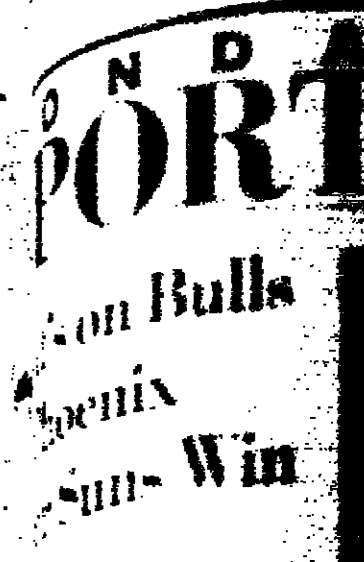
Continued

Table of mutual fund data including fund names, share classes, and performance metrics.

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, June 18.

Main table of OTC trading data with columns for stock symbols, prices, and volume.



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# MONDAY SPORTS ATHLETICS

## Slicing the IAAF Cake: Nebiolo Gets the Big Piece

By Ian Thomsen  
International Herald Tribune

ROME — Whatever Primo Nebiolo does and however he does it, it is done from a huge and nearby vault that should one day become a museum. The mural ceiling is deep enough, the high walls felt in gold. In tone it lacks only the respectful hush. He will never give it that. It is his office.

"The money is like a cake," Nebiolo is saying, leaning not halfway across his desk, glasses braked at the cliff of his nose, jabbing a piece of paper with a pen. "Now, how is it that we divide a cake?"

Nebiolo is among the most important sports administrators in the world. Perhaps only the directors of world soccer and basketball and the Olympics wield more influence. And perhaps they don't. The people who have been hired by Nebiolo refer to him as "The President." He is the president of the International Amateur Athletic Federation.

Nebiolo, 69, is one of the best things that ever happened to track and field. He routinely is called a tyrant, a dictator, and he might thank you for such compliments, provided your smile is genuine. When he first came to power in 1981, the annual IAAF budget was \$30,000. Now it is approaching 1,000 times that. Over a four-year period through 1995, the IAAF plans to spend \$174.6 million. The money is like a cake.

"Where is our money going?" Nebiolo says. The chart in his hand suggests that \$70.9 million, or 40.6 percent of the budget, will be spent on athletic meets. "To organize the event we must fund organizations and we must help organizations. We give a certain figure of money to organizations. To Stuttgart and to the organizing committee, we give \$7 million for the organization."

The IAAF also will help pay for

the athletes' travel costs to Stuttgart for the world championships, he says. Marching through the list of his endowments, his voice tumbles off the ceiling with the effect of dozens of feet clambering down a narrow stairwell. The desk, which has appeared small in this room, has grown beneath him as he leans across it to slice the revenues. Suddenly everything is enormous. Carl Lewis might train in such an office without brushing the walls.

All perspective is drawn against the \$175 million cake. More than half of the money comes from the \$91 million paid by the European Broadcasting Union for four years' coverage of the world championships. Almost all the rest comes from 12 corporate sponsors. The athletes have requested some of this money. As this meet is essentially the president's invention, he is proprietary about the funds. He laughs: "Oh, yes."

Shouldn't a significant portion go to the athletes, whose efforts create the profit?

"I'm not against our athletes making money," he says. "That they could receive a compensation in money, this is not wrong." He will point out later that the IAAF Grand Prix overall 100-meters champion can earn \$150,000 for a 10-second performance — never mind, of course, the years spent developing, which might not cover the lawsuits. Butch Reynolds, the American

300-meter world record holder, sued the IAAF over his two-year drug ban. Refusing to recognize the jurisdiction of the U.S. District Court in Ohio, the IAAF lost a \$27.3 million judgment to Reynolds in December.

Now, recognizing the threat of liens against the five U.S. corporate sponsors of the IAAF, the IAAF is seeking an appeal. At an International Olympic Committee meeting next week in Lausanne, Nebiolo will seek unified drug penalties among all Olympic federations. He will also attempt to steer athletes

"We are not afraid of Reynolds," he says. "We will never pay anything, you can be sure. We will never pay anything. We are so tranquil we will never pay anything. I assure you."

After the interview, a Nebiolo aide states that the IAAF decided to ignore the Ohio proceedings because the ruling judge was a "very close" friend of the Reynolds family. Why didn't the IAAF motion for another judge? "There was not enough proof."

These are not the 1930s, and the president is not Avery Brundage, the long-time master of the U.S. Olympic Committee. But Nebiolo is his descendant. In this day and age, he whispers through an anonymous aide that he did not defend himself because the judge is obviously biased? Either Nebiolo (who earned a law degree at the University of Turin) was the victim of incompetent legal advice, or else he is used to making any kind of excuse and getting away with it.

According to an American lawyer familiar with the case, all Nebiolo needed was a straightforward private investigation and a few witnesses in order to demand the removal of the Ohio judge — and if that failed, then he had a good chance of winning on appeal.

Instead, the IAAF is only now beginning to defend itself in court against Reynolds.

Reynolds will be running in Stuttgart, having qualified on Saturday with a second-place finish at the U.S. championships.

Under Nebiolo's rule, athletes are now running for relatively small prizes and larger endorsement rewards, and a few are millionaires. Champions are coming from Africa and are developing in China, thanks in large part to Nebiolo's development programs, and his worldwide marketing of track

away from the courts by establishing an in-house arbiter's panel, to be overseen by Keita Mbye, former head of the International Court of Justice in The Hague.

The \$27.3 million question remains: Rather than allowing Reynolds to state his case unopposed, why didn't the IAAF defend itself? Many believe Nebiolo would have won. Instead of quashing Reynolds, the IAAF has created hope in every athlete who tests positive that the courts might save them.

Had Nebiolo simply received bad advice? He shouts down five attempts to ask this question, because what he has to say is much more important.



**'They should make money, but not in the world championships and Olympics. We must maintain the spirit of competing for the ideal.'**  
Primo Nebiolo, IAAF chief

biolo says. "It could be a watch instead. It is not money."

The American athletes, who promoted the boycott, are under the impression that the reward of luxury automobiles is a bridge toward prize money in the near future. "No," Nebiolo says. "Never. Never in the world championships, never in the Olympics."

He jabs at the cake, from which he slices wedges of preeminence responsibility. Some \$21 million will be spent on development of athletes, another \$16.1 million on IAAF procedures. Another \$2.6 million will go toward "contingencies," which might not cover the lawsuits.

Butch Reynolds, the American

### SIDELINES

#### IOC Members Join China in Protest

LAUSANNE, Switzerland (AP) — Members of the International Olympic Committee joined China in reacting angrily to the vote by a subcommittee of the U.S. House of Representatives to oppose holding the 2000 Olympics in Beijing because of China's human rights record.

"It is a most unfortunate intrusion of politics in sport," said the IOC's director general, François Carrard. "I see ghosts of the 1980 Carter boycott of the Moscow Games to protest the Soviet invasion of Afghanistan."

But as the executive board met here Sunday, a quiet anti-Beijing demonstration was being staged outside the IOC's headquarters by the Tibetan Youth Association in Europe.

#### Auerbach Has Open-Heart Surgery

BOSTON (AP) — Red Auerbach, 75, the president of the NBA Boston Celtics, was in stable condition at Massachusetts General Hospital after six hours of open-heart surgery in which five arteries were bypassed.

Auerbach had two blocked arteries cleared at the hospital last month. He returned on Wednesday complaining of chest pain.

Ted Simmons resigned as general manager of the Pittsburgh Pirates less than two weeks after he underwent an angioplasty procedure to unclog a blocked artery to his heart. He was replaced by assistant general manager Cam Bonifay.

Troy Aikman, the MVP quarterback of the Super Bowl champion Dallas Cowboys will be unable to play for at least six weeks, and maybe 12, after surgery in which a herniated disc was removed from his back.

#### Norris Retains WBC Welter Crown

SAN DIEGO (AP) — Terry Norris, although stamped by a second-round knockdown, retained the WBC super welterweight title when a badly cut Troy Waters couldn't answer the bell for the fourth round Saturday night.

In another bout, 20-year-old sensation Felix Trinidad knocked out Maurice Blocker at 1:49 of the second round to win the IBF welterweight crown.

#### For the Record

The NFL Players Association has ratified the new collective bargaining agreement with the team owners, with 96 percent of the players approving the pact.

English cricket officials are to meet baseball officials this week to discuss playing a major-league game at Lord's in October 1994, The Sunday Telegraph reported.

#### Quotable

Mark Brooks on his three pro golf victories, the 1988 Greater Hartford, the 1991 Greater Greensboro and the Greater Milwaukee tournaments: "That gives me the Greater Slam."

### SCOREBOARD

#### Major League Standings

AMERICAN LEAGUE			
Team	W	L	Pct.
<b>East Division</b>			
Detroit	42	25	.627
Toronto	41	28	.594
New York	40	29	.580
Baltimore	34	37	.478
Seattle	30	42	.417
Pittsburgh	29	44	.398
Cleveland	27	40	.403
<b>West Division</b>			
Kansas City	35	33	.514
California	31	37	.451
Chicago	32	38	.457
Seattle	32	34	.485
Texas	31	35	.470
Minnesota	29	35	.451
Oakland	25	38	.397
<b>NATIONAL LEAGUE</b>			
Team	W	L	Pct.
<b>East Division</b>			
Philadelphia	47	20	.701
St. Louis	39	28	.581
Montreal	35	31	.527
Chicago	32	34	.485
Pittsburgh	31	35	.470
Florida	27	40	.403
New York	20	48	.293
<b>West Division</b>			
San Francisco	45	23	.662
Atlanta	38	31	.551
Houston	32	33	.493
Los Angeles	31	32	.493
Cincinnati	28	34	.447
San Diego	27	38	.412
Colorado	22	44	.333

#### Friday's Line Scores

AMERICAN LEAGUE			
Kansas City	171	000	9-15 9
Oakland	000	000	0-10 0
Houston	000	000	0-10 0
Homer, Cubiccia	11	000	1-10 0
forlone, Moore	181	000	0-10 0
Hilleboe, S.Davis	121	000	0-10 0
Holter	181	000	0-10 0
Gossage	181	000	0-10 0
Hartman	181	000	0-10 0
Nunez	181	000	0-10 0

NATIONAL LEAGUE			
Los Angeles	181	000	0-10 0
St. Louis	000	000	0-10 0
Chicago	000	000	0-10 0
Atlanta	000	000	0-10 0
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San Francisco	000	000	0-10 0
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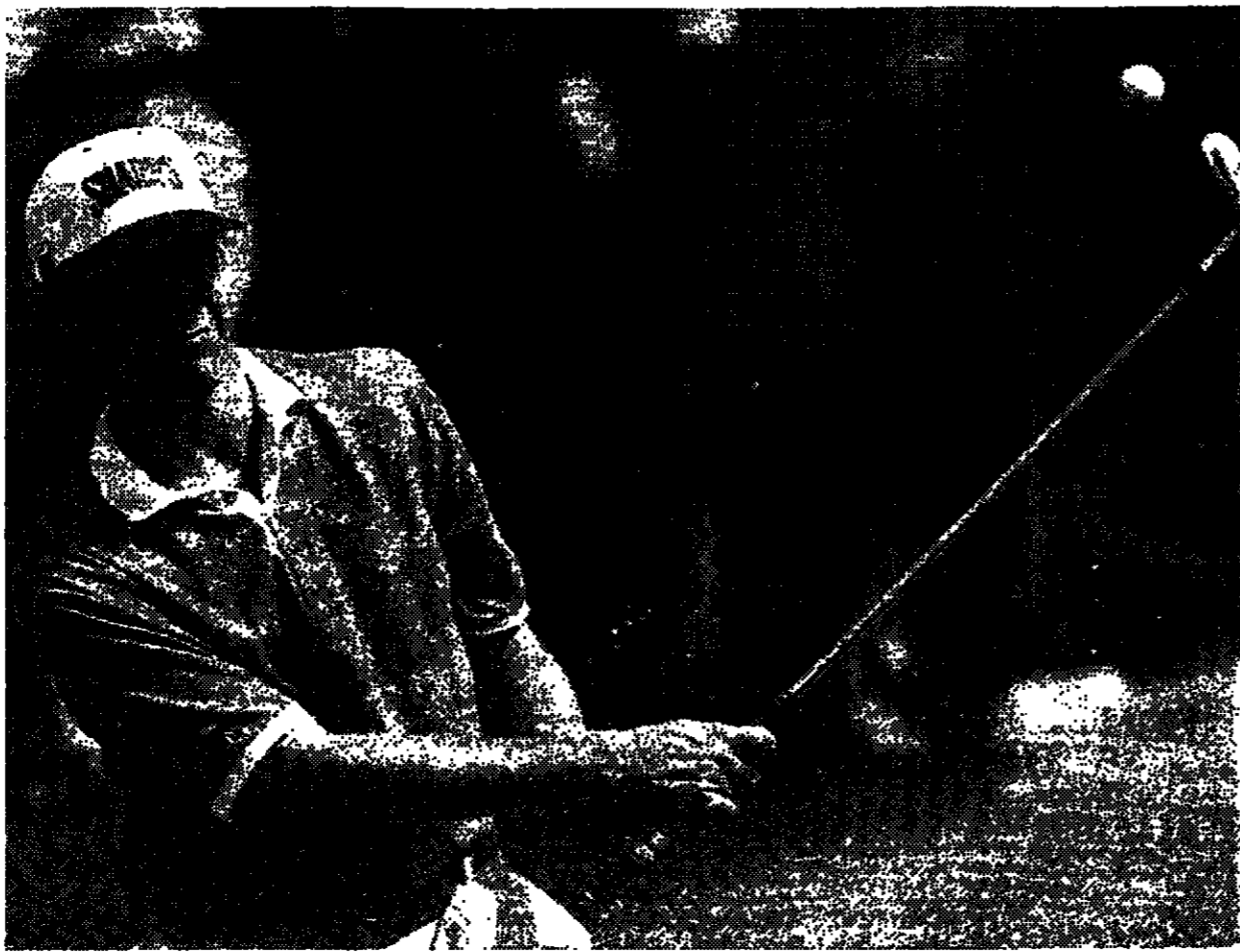


MONDAY SPORTS U.S. OPEN

Janzen Holds Off Challenge by Stewart to Claim 2-Stroke Victory

U.S. Open Scores Through the 3d Round of Play

Table of U.S. Open scores through the third round, listing names and scores.



Lee Janzen, who hadn't made the cut in three previous Opens, was the image of composure as he took a one-shot lead into the final round.

Winner's Total Ties Open Record

Compiled by Our Staff From Dispatches SPRINGFIELD, New Jersey — Lee Janzen shot a 1-under-par 69 on Sunday to win the 93d U.S. Open by two strokes for his first major golf title, holding off a determined challenge by Payne Stewart.

the 413-yard fifth, only Stewart could stay within two shots. Janzen seemed to achieve his goal of playing a patient, conservative round and not getting caught up with the excitement of leading a major championship.

front side, shooting a 36 that dropped him six behind Janzen. And Fred Couples, who was five behind, snap hooked his opening tee shot on the 470-yard par-four first hole out of bounds and took a double bogey.

Tuttleton Slam Lifts Tigers Past Brewers

The Associated Press Mickey Tuttleton hit a grand slam, highlighting a five-run first inning Sunday and leading the Tigers over the Milwaukee Brewers, 7-3, in Detroit.

the four-game series against visiting Minnesota. Wickman is now 14-1 in his two seasons with New York, the best record for the Yankees at the start of the career since Whitey Ford

ninth time in 10 decisions as Detroit beat visiting Milwaukee. Fiedler now has nine homers in June, his biggest month since July 1991, when he hit 11 on his way to a 44-homer season.

Langston pitched six-hit ball over eight innings, setting a record for the best start ever by a California pitcher as the Angels downed Chicago in Anaheim, California.

AL ROUNDUP

Braves and Glavine Down Expos, 5-1

The Associated Press Tom Glavine, troubled by Montreal for several years, pitched an eight-inning performance for the second time this season as the Atlanta Braves won, 5-1, on Sunday in Montreal.

Burkett scattered seven hits, struck out two and didn't walk a batter in seven innings to win his sixth consecutive decision.

had four hits and scored twice for the Cardinals. Braves 4, Expos 3: Ron Gant led off the eighth in Montreal with his 16th home run, lifting Atlanta to its sixth victory in eight games.

had four hits and scored twice for the Cardinals. Braves 4, Expos 3: Ron Gant led off the eighth in Montreal with his 16th home run, lifting Atlanta to its sixth victory in eight games.

NL ROUNDUP

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Advertisement for ESCORTS & GUIDES, listing agencies like ZURICH BLUE HEAVEN, ZURICH NEW VICTORY, and YVETTE LONDON.

At the Unreachable 17th, Daly Almost Overreaches

New York Times Service SPRINGFIELD, New Jersey — Lee Trevino likes to joke that, when caught in a thunder-and-lightning storm, a golfer should hold a 1-iron aloft. "Not even God," he says, "can hit a 1-iron."

John Daly can. From the time he arrived here for the U.S. Open, he was aware of the challenge: reach the unreachable green of the 630-yard (576-meter) uphill 17th hole in two shots. For him, that meant a drive and a 1-iron, because he doesn't even carry a 3-wood.

"Peacekeeping" in Somalia Continued chaos in Bosnia

Advertisement for GATI under fire European unemployment, featuring a table of unemployment rates by country and subscription information.

Advertisement for Herald Tribune Living in the U.S., now printed in New York for same day delivery in key cities.

Advertisement for International Classified (Continued From Page 4), listing various escort and guide services.

Advertisement for ESCORTS & GUIDES, listing various agencies like ZURICH BLUE HEAVEN, ZURICH NEW VICTORY, and YVETTE LONDON.

Advertisement for Herald Tribune, including subscription information and contact details.



# Niki de Saint Phalle, Bursting Out of the Frame

**International Herald Tribune**  
**P**ARIS — Niki de Saint Phalle has been an artist of totally engaging originality since the '60s when she became the Annie Oakley of the art world with her *shotgun paintings*: the viewer aimed at canvases to which the artist had fixed small plastic bags of pigment, colored cement, tomatoes or whatever took her fancy. She herself was not much of a shot.

The constant in her work, from the famous female figures she called *Nanas* to the *Tarot Garden* in Tuscany, that she

### MARY BLUME

has worked on for nearly 10 years, is an intelligent lightheartedness that never sinks to whimsy. Fear is there, and rage, all subsumed into one big giggle.

"I am not a tortured artist," she has said. "I have no attic or closet to hide in. Luckily for me, most people don't know what they look at."

In her 40s when she was offered a retrospective at the Pompidou center, she said she wasn't ready and the show was held in 1980, when she was 50. In 1992 another retrospective began in Bonn's Kunst und Ausstellungshalle, moved on to Glasgow, and opens this week at the Musée d'Art Moderne de la Ville de Paris, augmented by a room of new paintings that in Niki's mind (everyone calls her by her first name) makes it less a retrospective than a mix of new works and the rest.

"And that I can handle much better," she said in the converted inn near Fontainebleau where she lives and works.

She calls the new works *Tableaux Eclatés* to suggest a bursting forth. They mark a return to painting, but a painting of animated parts that engage in conflicts, conversations or, in one case, a jumpy cakewalk. They are, says her friend Pontus Hulten, who put on the Pompidou and Bonn shows, paintings that know how to live. To Niki they are about the eternal return and moving from chaos to order. "I was very concerned with life and death. It was at a very particular moment when I got the idea.

The moment was the death in 1991 of Jean Tinguely, the sculptor with whom she lived for many years and remained close to after they split. Their joint works, such as the *Stravinsky fountain* at the Pompidou center in which Tinguely's antic black machines spar with Niki's colored sculptures, was a constant dialogue between lovers, work partners and rivals. "I've realized my own strength by measuring myself against him," she said in 1987. It was perhaps their rivalry, she

says today in her fluent American slang, that made them best buddies.

She painted an uncharacteristically sober homage to Tinguely, his portrait surrounded by cogs and wheels. Then she thought of making paintings with movement and her assistant took a crash course in electronic engineering.

"It may be a very sophisticated technology but I understand nothing about it so for me it remains a miracle and I want to keep it that way." The sight of an apparently immobile painting splitting into life is fun and something more: death. Tinguely once said, "a transition from movement to movement."

"Everything explodes and comes back together again and regrows and then goes out again," Niki says. Like much of her work the *Tableaux Eclatés* are reconciliation, the new innocence born of experience. To imagine is also to expunge.

She was born to a hopelessly contradictory and distinguished family. Her father, a banker, was an Americanophile Frenchman, her mother an American francophile. Niki was born in Paris and raised in New York where she attended convent schools and Brearley, whose headmistress recommended psychiatric care after Niki painted the fig leaves on classical statues pink.

Her mother was rigidly conventional ("eat everything on your plate," "don't cross your legs") and was profoundly shocked later to see Niki's novelist husband Harry Mathews using the vacuum cleaner. Her aristocratic father, Niki says, raped her, and her mother knew. She dealt with this in her film, "Daddy," made after her father's death. She survived through stubbornness and a childish love for fairy tales which she unchildishly realized were all about a quest.

"The one thing that is inherent in the quest is difficulties. It makes you see life in a different way from somebody who thinks life should always be perfect. If you've had a difficult family life and a very solitary one where you can't talk to anybody, it gives you a certain strength. If you survive, then you're equipped."

A beauty, Niki became a model who appeared on the covers of *Vogue* and *Life* and hated it. "For a long time I wore extravagant clothes because I was very shy and people would look at my hat and not at me. It was really camouflage. Now I don't care.

"When you're young if you are beautiful or pretty it gives you a lot of power. Men will come and change your tires. Then you see that power go pretty quickly. Some women regret it all their lives and others face it and say that's gone, there are other things more interesting."

She once said that having learned



Niki de Saint Phalle with one of her sculptures.

strength she no longer needs to be right. Independence is a guiding force. "There's a lot about breaking out, whether it's breaking out with a gun and aggression, breaking out from a social background, breaking out from the picture frame now, breaking out from countries. I don't even feel I have a nationality and I'm glad."

Untutored in painting, she took it up when she moved to Paris with Harry Mathews and left him and their two children to paint full time. She is now a great-grandmother and very close to her chil-

dren again. With her son she wrote an illustrated book for young people on AIDS called "You Can't Catch It Holding Hands" and designed bright condoms whose colors no manufacturer has been able to produce.

In 1961 she and Tinguely moved to the Impasse Ronsin in Paris and the shooting paintings began ("we looked like Bonnie and Clyde"), followed, in 1965, by the pre-Women's Lib *Nanas* which offered a new and irresistible view of feminine

beauty (the first one was based on the wife of the painter Larry Rivers). The *Nanas* are fat, gaudy, embowered and free. With Tinguely Niki made a huge reclining *Nana* which Pontus Hulten showed in Stockholm's Modern Museum, risking his job to do so. Visitors entered between her spread legs and found inside, among other things, a bar and a theater showing Garbo films.

As if she were picking flowers, Hulten says, Niki has borrowed from artists of the first half of this century to make the second half more beautiful. "I think Niki is very original in everything she does. She has no fear of stealing wherever she finds things that interest her and it all becomes hers in a very relaxed way."

Among the things that interest her are Gaudi, the Watts towers in Los Angeles and the primitive sculptures of Le Faouar Cheval. With Tinguely helping on the armatures, she launched into a series of architectural sculptures and in 1974, on land donated by Italian friends, she began work on the 22 sculptures of her *Tarot Garden* in Tuscany.

"Sometimes I used to curse Gaudi, especially on paydays," she says. The entire project, which the French government is now interested in preserving, was self-financed by Niki's sales of her own line of furniture, objects and perfume. "Now I feel very good that I was able to swing it as a woman, to finance it. When I'm up against the wall and there are a lot of people depending on me, I can do a pirouette and find a solution."

She sees tarot as a metaphor for life's journey. The difficulties have been immense, compounded by her wish not to finish the garden and leave her workmen jobless and by severe bronchial problems that began in 1974, when her lungs were burned by inhaling polyester fumes from the *Nanas*.

Her poor health seems to her to be connected with an idea of renewal. "It seems to go with a sort of resurrection. It's pretty scary because several times I've been at the point of no return and that in an odd way is linked to a certain renewal of creativity."

In addition to finishing the garden, she has a project to build an *Ideal Temple* in Nimes based on the idea that if all religions are represented no one faith can claim to be more right than the others. The quest means questions to which answers are only the pretext to ask more questions.

"I love that poem by Cavafy about his dream of going to Ithaca and all the things and marvels he meets on his way. Then when he gets to Ithaca he realizes that what it meant was the journey itself."

## Hopeful on Hopefully

By Cathleen Schine

**N**EW YORK — While the cat is away, let's play with a heraldical notion. Let's engage in a spirited defense of the word *hopefully*. You know — the bad *hopefully*, or even an adjective to modify; the one floating, odd and defiant, at the beginning or the end of a sentence; the one you stop yourself from saying, train yourself never even to think — that *hopefully*.

The bad *hopefully* ought to be used without shame by all those who can bring themselves to do so — the less squeamish, the less prejudiced, the bolder, the brave, the visionary. For this *hopefully* has developed a meaning, a nuance, that cannot be approximated by any other word or combination of words. Beyond being useful, *hopefully* is necessary, a profound modern expression of an exclusively modern sentiment. If there were no *hopefully*, man would have to invent it. And so we did.

The problem with *hopefully*, as all grammar-prud men and women know (even those who came to these discoveries late, in college, a Chaucer class, it was humiliating, I'll never forget . . .), the problem is that *hopefully* is properly used only as an adverb modifying a verb or an adjective. "This makes perfect sense," I say to myself *hopefully*. "Hopefully" describes the way in which I am speaking to myself. I am allowed, grammatically, to speak to myself *hopefully*. It is not considered proper usage on the other hand, to say, "Hopefully, this makes sense." For who, in that case, is doing the hoping? And what is being modified? Surely I do not mean that "this" is making sense in a *hopefully* way.

You know all the above, right? Anyone who reads a language column is as sensitive to the noise of *hopefully* used as a "sentence adverb," as my dictionary puts it, as he or she is to the grating sound of "up" used as an intransitive verb. It ain't right. *Hopefully* is anathema, it is black shoes with brown pants, a white skirt worn after Labor Day, the desert fox with the lamb chop, inter-species sex.

*Hopefully* is, in a word, *outré*. Grammatical propriety cannot countenance it, even if grammatical propriety cannot explain why not. In my American Heritage Dictionary of the English Language (Third Edition), there is a long Us-

age Note for *hopefully*, that, with considerable delicacy, condescending amusement and a clear sense of drama, discusses the status of *hopefully*, the sentence adverb.

"It might have been expected," observes the anonymous author of the American Heritage Dictionary Usage Note, . . . that the initial flurry of objections to *hopefully* would have subsided once the usage became well established. Instead, increased currency of the usage appears only to have made the critics more adamant."

The Usage Note author cannot account for this, noting that the usage panel had "not shown any signs of becoming generally more conservative"; that the word's acceptance by the public attests to its usefulness; that there is no exact substitute; that there are other words used analogously, like *happily* and *mercifully*, that excite no such controversy. When Clark Gable turned Vivien Leigh and said, "Frankly, my dear, I don't give a damn," it was not his daring use of *frankly* as an adverb with no verb to modify that caused an uproar among tight-thinking people. And yet *hopefully* is scorned and spurned.

"Think, for a moment, what it is that *hopefully* does. 'Hopefully, it will not rain on our parade.' 'Hopefully, I will survive this operation.' 'The Mens will not finish in last place — hopefully!' It is time that you could substitute the prim alternative "One hopes" in each of these cases. But will it mean the same thing? "One" means a person, some person, an epitome of a person. "One hopes" means that someone, anonymous yet representative, is also hoping, just the way I, the speaker am hoping. We are hoping together.

*Hopefully* is a word full of hope, hope even in the face of adversity, even in the face of the Mens.

Someday it will claim its rightful place in the language. I hope.

New York Times Service

Cathleen Schine is the author of "Rumors of Mecca," a satire of New York *international* life. William Safire is an occasion.

**INTERNATIONAL CLASSIFIED**  
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## WEATHER

Forecast for Tuesday through Thursday, as provided by Accu-Weather.

Europe	Today		Tomorrow	
	High	Low	High	Low
Algeria	23/14	15/11	26/19	17/12
Alexandria	18/14	16/11	19/16	13/10
Ankara	31/21	16/11	31/18	15/10
Athens	27/18	16/11	33/21	17/12
Bahia	30/16	20/14	27/18	18/14
Bangkok	32/18	18/14	32/18	19/15
Baton Rouge	21/12	11/7	22/11	12/7
Bombay	27/17	14/11	27/17	12/7
Buenos Aires	26/12	18/14	23/16	12/7
Calcutta	27/17	14/11	27/17	12/7
Caracas	26/12	18/14	23/16	12/7
Chennai	27/17	14/11	27/17	12/7
Cairo	26/12	18/14	23/16	12/7
Colombo	27/17	14/11	27/17	12/7
Dakar	26/12	18/14	23/16	12/7
Dhaka	27/17	14/11	27/17	12/7
Dublin	15/10	10/6	16/11	11/7
Frankfurt	22/11	11/7	23/11	12/7
Geneva	15/10	10/6	16/11	11/7
Helsinki	15/10	10/6	16/11	11/7
Istanbul	31/21	16/11	30/19	20/16
Los Angeles	27/18	16/11	24/17	17/12
London	23/13	10/6	20/16	11/7
Madrid	28/12	13/9	27/18	12/7
Mumbai	31/18	17/12	31/18	19/16
Moscow	21/10	11/7	22/11	12/7
Manila	27/17	14/11	27/17	12/7
Mexico City	28/12	20/14	27/18	18/14
New York	19/12	7/3	19/12	7/3
Osaka	27/17	14/11	27/17	12/7
Paris	22/11	11/7	23/11	12/7
Rangoon	31/18	17/12	31/18	19/16
Rio de Janeiro	26/12	18/14	23/16	12/7
Sao Paulo	26/12	18/14	23/16	12/7
Seoul	27/17	14/11	27/17	12/7
Singapore	27/17	14/11	27/17	12/7
Taipei	27/17	14/11	27/17	12/7
Tokyo	27/17	14/11	27/17	12/7
Washington	27/17	14/11	27/17	12/7



**North America**  
 San Francisco will have unusually hot weather by the end of the week, when record high temperatures are possible. Turning less humid in New York City Tuesday, then pleasant Wednesday and Thursday. Breezy with sunshine in Toronto Tuesday, while Atlanta hits thunderstorms.

Middle East	Today		Tomorrow	
	High	Low	High	Low
Benz	29/14	18/14	32/18	18/14
Cairo	32/18	18/14	34/20	18/14
Damascus	32/18	18/14	32/18	18/14
Jerusalem	27/18	17/12	30/18	12/7
Riyadh	41/18	27/17	42/17	24/17

Asia	Today		Tomorrow	
	High	Low	High	Low
Bangkok	33/18	24/17	34/20	23/17
Bombay	30/18	22/11	32/18	21/10
Hong Kong	30/18	22/11	31/18	22/11
Kuala Lumpur	32/18	24/17	32/18	24/17
Manila	32/18	24/17	32/18	24/17
New Delhi	32/18	24/17	32/18	24/17
Seoul	24/17	18/14	24/17	18/14
Shanghai	31/18	23/17	29/14	24/17
Singapore	31/18	23/17	31/18	24/17
Taipei	31/18	23/17	31/18	24/17
Tokyo	28/12	18/14	27/18	13/8

Africa	Today		Tomorrow	
	High	Low	High	Low
Cape Town	30/18	18/14	30/18	18/14
Casablanca	17/12	6/3	18/14	7/4
Harare	28/14	17/12	30/18	16/11
Nairobi	28/12	18/14	29/14	11/7
Windhoek	30/18	18/14	30/18	18/14

North America	Today		Tomorrow	
	High	Low	High	Low
Atlanta	21/10	8/3	21/10	8/3
Boston	26/12	10/6	27/18	16/11
Chicago	26/12	10/6	29/14	17/12
Dallas	32/18	18/14	31/18	16/11
Detroit	26/12	10/6	26/12	10/6
Houston	31/18	23/17	32/18	24/17
Los Angeles	29/14	18/14	32/18	18/14
Memphis	31/18	23/17	32/18	24/17
Minneapolis	24/17	14/11	24/17	14/11
Miami	31/18	23/17	32/18	24/17
New York	30/18	24/17	31/18	23/17
Philadelphia	31/18	23/17	31/18	24/17
Pittsburgh	31/18	23/17	31/18	24/17
Portland	27/18	12/7	27/18	12/7
San Francisco	27/18	12/7	27/18	12/7
Seattle	26/12	18/14	26/12	18/14
Tampa	30/18	22/11	30/18	22/11
Washington	30/18	22/11	30/18	22/11

## CROSSWORD

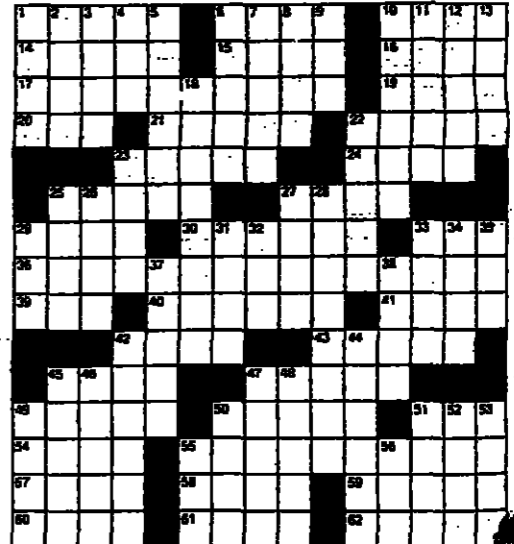
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- ACROSS**
- Hen holders
  - Lawrence's — Chatterley
  - Avoid
  - "A Law" character
  - Friend to Francois
  - Ebble root
  - Gridles?
  - On the level
  - Lolita subways?

- DOWN**
- Italian poet
  - Belief formula
  - Crams, with
  - U.S. Attorney General
  - Ster on arbed
  - Locate for Columbus
  - Bts for Spot
  - Mag
  - Ph — mode
  - Opiometrist's office?
  - 61 Young adult
  - Dice

- DOWN**
- Ann or Cod
  - Spoken
  - Burden
  - Wrestler's quest
  - Curtain part
  - Small error
  - Gather
  - Prank
  - Agreeable word

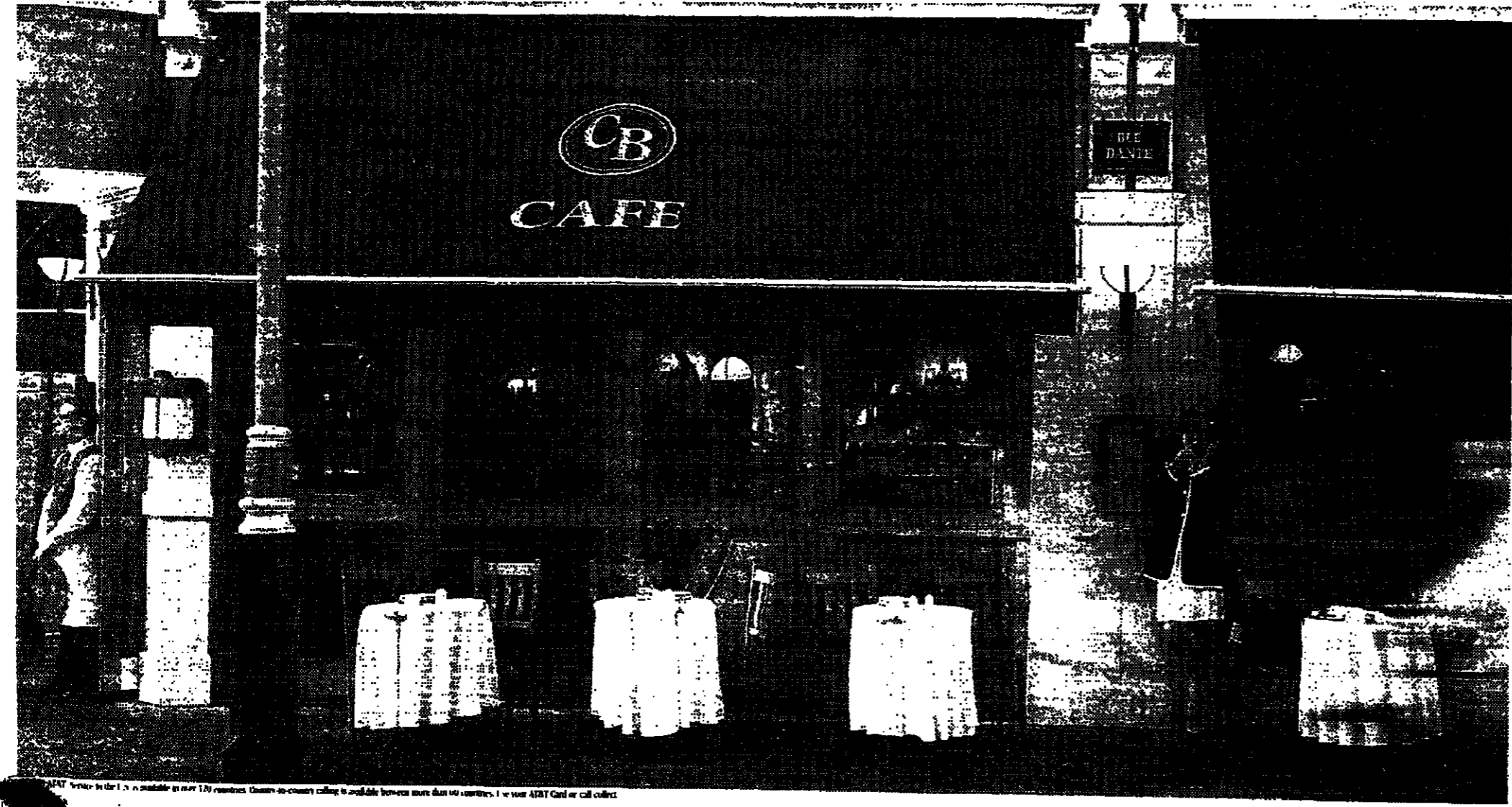
- DOWN**
- Sound system, for short
  - Port
  - Hives
  - Words to Nanette
  - Travel guide
  - Felony deed
  - Foundation
  - Two-masted vessel
  - Director Praminger
  - Scout
  - Self-destruction
  - Mother bear: Sp
  - Gaelic
  - U.S. Army vessel
  - Some votes
  - Drip
  - Inquire
  - Cooked on a griddle
  - Collar or school
  - Gratify
  - Like poetic justice
  - Clean out



**SOLUTION TO PUZZLE OF JUNE 18**

CABALS MACLE  
 EDOMITE DERAILS  
 SALINAS ANIMALS  
 SKATEBOARD ERAT  
 PGA GOLF  
 ARMY PIR GRADE  
 REBATES RIBBLE  
 DELMAR OAF NEAR  
 STEAM SMO EIS  
 CASPE ART  
 SABU TRIPLE AXEL  
 TRACHERY ALAMEDA  
 ARCHERY REIGNED  
 SHINE NEROLS

If you're going to travel all over the map, here's how to call from almost any point on it.



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